SOUTH CAROLINA
DEPARTMENT OF TRANSPORTATION

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
JUNE 30, 2021

SOUTH CAROLINA OFFICE OF THE STATE AUDITOR
1401 Main Street, Suite 1200 • Columbia, SC 29201

September 27, 2021

Members of the South Carolina Transportation Commission
South Carolina Department of Transportation
Columbia, South Carolina

This report on the audit of the financial statements of the South Carolina Department of Transportation for the fiscal year ended June 30, 2021, was issued by Mauldin & Jenkins, LLC, Certified Public Accountants, under contract with the South Carolina Office of the State Auditor.

If you have any questions regarding this report, please let us know.

Respectfully submitted,

George L. Kennedy, III

George L. Kennedy, III, CPA
State Auditor

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South Carolina Department of Transportation

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Year Ended June 30, 2021

INDEPENDENT AUDITOR'S REPORT

Mr. George L. Kennedy, III, CPA
State Auditor
South Carolina Office of the State Auditor
Columbia, South Carolina

Members of the South Carolina Transportation Commission
South Carolina Department of Transportation
Columbia, South Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, and each major fund, of the **South Carolina Department of Transportation** (the "Department"), a department of the State of South Carolina, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Connector 2000 Association, Inc., which represents 100% of the assets, net position, and revenues of the discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Connector 2000 Association, Inc. is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Connector 2000 Association, Inc. were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, and each major fund of the South Carolina Department of Transportation as of June 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the Department's financial statements are intended to present the financial position and changes in financial position of only that portion of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the State of South Carolina that is attributable to the transactions of the Department. They do not purport to, and do not, present fairly the financial position of the State of South Carolina as of June 30, 2021, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in Note 1 to the financial statements, the Department implemented Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, as of July 1, 2020. This standard significantly changed the accounting and financial reporting for the Department's activities previously reported as agency funds. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (on pages 4 through 12), the budgetary comparison schedule (on page 63), the Schedules of the Department's Proportionate Share of the Net Pension Liability (on page 66), the Schedules of the Department's Pension Contributions (on page 67), the Schedule of the Department's Proportionate Share of the Net OPEB Liability (on page 69), and the Schedule of the Department's OPEB Contributions (on page 69), be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we will also issue our report dated September 27, 2021, on our consideration of the South Carolina Department of Transportation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report will be issued under separate cover in the Department's "Report of Independent Certified Public Accountants in Accordance with the Uniform Guidance and *Government Auditing Standards*." The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Department's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Columbia, South Carolina
September 27, 2021

SOUTH CAROLINA DEPARTMENT OF TRANSPORTATION

MANAGEMENT'S DISCUSSIONS AND ANALYSIS

As management of the South Carolina Department of Transportation (the "Department"), we provide this *Management's Discussion and Analysis* of the Department's financial statements for the fiscal year ended June 30, 2021 as a narrative overview and analysis. We encourage readers to consider this information in conjunction with the Department's financial statements, which follow.

Included in these financial statements is the discretely reported information of one component unit, the *Connector 2000 Association, Inc. (the Association)*, which operates the Southern Connector toll road in Greenville County under a license agreement with the Department. Component units are legally separate organizations for which the elected/appointed officials of the primary entity are financially accountable. The Department's inclusion of the Association as a component unit is done for the purpose of communicating information about its component unit as required by generally accepted accounting principles. It is not intended to create the perception that the Department has a legal or financial responsibility for the Association. The Association's financial statements are independently audited and a separate annual report with the auditor's opinion is dated April 22, 2021. We refer readers to that report and our financial statements for more detailed information.

FINANCIAL HIGHLIGHTS

Primary Entity

Net Position - The assets and deferred outflows of resources of the Department exceeded its liabilities and deferred inflows of resources at fiscal year ending June 30, 2021 by $17.7 billion (presented as "Net Position"). Of this amount, a deficit of ($348.5) million was reported as "unrestricted net position". Part of the deficit in unrestricted net position is due to the Department reporting $841.5 million in pension and OPEB liabilities. The Department's component unit, Connector 2000 Association, Inc. reported a *net position deficit* of ($102.7) million as of December 31, 2020, the close of its fiscal year.

Changes in Net Position - The Department's total net position increased by $803.2 million, or 4.8% in fiscal year 2021. The increase in net position can be attributed to an increase in self-constructed infrastructure assets net of accumulated depreciation and a donation of infrastructure assets from the South Carolina Transportation Infrastructure Bank, as well as $686.7 million in revenues from the Infrastructure Maintenance Trust Fund. The Department's component unit net position decreased by $10.9 million.

Capital Assets – Capital Assets, net of depreciation, which include infrastructure, were approximately $17.1 billion at June 30, 2021, for the Department. Capital additions for the year totaled $710.1 million. The carrying value of capital assets removed from the records this year was $3.0 million. Capital assets of the component unit, net of depreciation, were approximately $109.9 million at December 31, 2020, which is comprised of equipment and the interest in a license agreement.

Long-term Obligations - The Department's total net long-term obligations increased by $24.9 million (3%) during the current fiscal year to $1 billion. This change is attributable to a net decrease in bonds payable of $42.1 million, a net decrease in the amount due the South Carolina State Transportation Infrastructure Bank of $19.7 million and other net increase of $86.7 million which is primarily attributable to OPEB and pension liabilities. Long-term obligations of the component unit increased by 2.6% to $216.7 million.

FUND ACTIVITY

Governmental Funds - Fund Balances - As of the close of fiscal year 2021, the Department's governmental funds reported a combined ending fund balance of $1.6 billion, an increase of $297.6 million in comparison with the prior year. Of this total amount, $435.5 million represents the committed fund balance which has been committed for spending at the Department's discretion on future road and bridge construction and maintenance or other necessary activities, $941.6 million in restricted fund balance to fund maintenance expenditures on existing roadways, bonds and capital purchases and $182.7 million in restricted fund balance to fund the County Transportation Committees Fund. Revenue exceeded expenditures by $296.0 million.

In the current fiscal year, highway maintenance expenditures decreased 7.7% over the previous year while capital expenditures decreased 16.6%. Operating expenditures, excluding debt service decreased .1%, debt service increased .1%, and allocations to other entities decreased 57.4%. Overall revenues decreased 2.7%. Federal revenues decreased 13.2% over last year; and motor fuel and fee revenues were up 11.5% from the previous year. Revenues from the Infrastructure Maintenance Trust Fund increased 17.8%.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Department's basic financial statements. The Department's basic financial statements include three sections: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves. These sections are described below:

Government-Wide Financial Statements

The *Government-Wide Financial Statements* provide a broad overview of the Department's operations in a manner similar to a private-sector business. The statements provide both short-term and long-term information about the Department's financial position, which assists in assessing the Department's economic condition at the end of the fiscal year. These are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. This basically means they follow methods that are similar to those used by most businesses. They take into account all revenues and expenses connected with the fiscal year even if cash involved has not been received or paid. The government-wide financial statements include two statements:

The S*tatement of Net Position* presents all of the Department's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference between these reported as "net position". Over time, increases or decreases in the Department's net position may serve as a useful indicator of whether the financial position of the Department is improving or deteriorating.

The S*tatement of Activities* presents information showing how the Department's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods (such as unused vacation leave). This statement also presents a comparison between direct expenses and program revenues for each function of the Department.

Both of the above financial statements have separate columns for two different types of programs or activities. These two types of activities are:

Governmental Activities – The activities in this column are mostly supported by motor fuel taxes and intergovernmental revenues (federal grants). All services normally associated with the Department fall into this category.

Component Unit – The activities in this column are solely supported by the activities of the component unit. All services associated with the component unit fall into this category.

The government-wide financial statements can be found immediately following this discussion and analysis.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources segregated for specific activities or objectives. The Department, like other state agencies, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Department are categorized as governmental funds. The discretely presented component unit, Connector 2000 Association, Inc., is considered a proprietary fund. It is important to note that these fund categories use different accounting approaches and should be interpreted differently.

Governmental Funds – Most of the basic services provided by the Department are financed through the governmental funds. The governmental funds are used to account for essentially the same functions reported as governmental activities in the Government-wide financial statements. However, unlike the Government- wide financial statements, the governmental fund financial statements focus on near-term inflows and outflows of spendable resources. They also focus on the balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Department's near-term financing requirements. This approach is known as using the flow of current financial resources measurement focus and the modified accrual basis of accounting. These statements provide a detailed short-term view of the Department's finances that assists in determining whether there will be adequate financial resources available to meet the current needs of the Department.

Because the focus of the governmental funds is narrower than that of the Government-wide financial statements, it is useful to compare the information presented in governmental funds with similar information presented for governmental activities in the Government-wide financial statements. By doing so, readers may better understand the long-term impact of the Department's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and the Departmental activities. These reconciliations are presented on the page immediately following each governmental fund financial statement.

Special Revenue Funds – These funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

The Department has three governmental funds which are special revenue funds which are described as follows:

Transportation Special Revenue Fund – The Transportation Special Revenue Fund, which is a special revenue fund, generally records the expenditure of revenues that are committed or restricted to specific programs or projects. This special revenue fund accounts for federal grant program revenues, taxes levied with statutorily defined distributions, and other resources committed or restricted as to purpose. Charges for and costs of operations of vehicles and other equipment utilized for road and bridge network projects are reported in this fund. The Transportation Special Revenue Fund was established pursuant to Section 57-11- 20 of the Code of Laws of South Carolina (the "Code").

This fund accounts for, among others, gasoline user fee, and other special imposts upon highway users for the construction and maintenance of highways and bridges and for other operations of the Department. This fund also accounts for revenue from the sales of goods and services and from participation agreements between the Department and other entities for the sharing of costs of construction projects. The Department's appropriation from the State's General Fund is also included in this fund.

Infrastructure Maintenance Trust Special Revenue Fund – Established during fiscal year 2017, the Infrastructure Maintenance Trust Fund was created by South Carolina Act 40 of 2017 and provides additional funding to the Department to be used for the repairs, maintenance and improvements to the existing transportation system.

This fund accounts for a 2 cents increase to the existing gasoline user fee per year for six years, an infrastructure maintenance fee imposed on the registration of vehicles, trailers, semi-trailers and other items pursuant to Chapter 3 of Title 56 of the Code, a motor carrier road use fee, an increase in biennial vehicle registration fees and a road use fee on hybrid and alternative fuel vehicles. The Infrastructure Maintenance Trust Fund is a special revenue fund as all funds are restricted by law to the repairs, maintenance, and improvements of the existing transportation system.

County Transportation Committees Fund – The County Transportation Committees Fund was established pursuant to Section 12-28-2740 of the Code to provide for the receipt and use of the 2.66 cents per gallon gasoline user fee designated for the County Transportation Committees. Beginning July 1, 2018, the South Carolina Act 40 of 2017, increased the County Transportation Committees' portion annually by .3325 cents per gallon through July 1, 2021, when the total amount will equal 3.99 cents per gallon. The County Transportation Committees Fund also receives a transfer of up to $20.5 million annually from the Infrastructure Maintenance Trust Fund. Each county has a Transportation Committee that is appointed by the county legislative delegation to administer the use of these funds. Based on the legally prescribed allocation formula, these monies are either paid directly to the counties for infrastructure projects that are administered by the counties or to vendors on behalf of the counties for expenditures incurred on projects that the County Transportation Committees have contracted the Department to administer.

The basic governmental funds financial statements can be found immediately following the government-wide statements.

Fiduciary funds are used to account for assets held in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. Due to the implementation of GASB Statement No. 84, *Fiduciary Activities*, in fiscal year 2021, the Department does not have any Fiduciary funds. Assets previously reported as Fiduciary in the prior fiscal year, are now reported in the Transportation Special Revenue Fund and the County Transportation Committees Fund, which resulted in a restatement of fiscal year 2020 balances.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Government-wide and the fund financial statements. The notes to the financial statements can be found immediately following the fund financial statements.

Required Supplementary Information and Combining Statement

The basic financial statements are preceded by the management discussion and analysis and are followed by another section of required supplementary information. This section includes a budgetary comparison schedule for the *governmental funds*, which includes comparisons of original budget to final budget to actual outflow (expenditures) on a non-GAAP budgetary basis. This section also includes financial disclosures of the Department's proportionate share of SCRS and PORS pension liabilities, actual contributions to these two retirement programs on behalf of current and former employees of the Department, retiree health benefit (OPEB) liabilities, and related contributions.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial condition. The Department's assets and deferred outflows of resources (all classified as governmental activities) exceeded liabilities and deferred inflows of resources by $17.7 billion at the close of business on June 30, 2021, (See **Table A-1** for a summary of net position for fiscal years 2019-2020 and 2020-2021). The largest portion of the Department's net position (97%) reflects its investment in infrastructure and other capital assets such as land, buildings, and equipment less any related debt used to acquire those assets that are still outstanding. The Department uses these capital assets to fulfill its primary mission to provide a safe and efficient transportation system for the State of South Carolina. Consequentially, these assets are not available for future spending. Although the Department's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Table A-1

SCDOT Net Position

(In Millions)

	Governmental Activities	
	2021	(Restated) 2020
Current Assets	$ 1,947.5	$ 1,666.0
Non-Current Assets	0.5	0.8
Capital Assets	17,078.5	16,617.5
Deferred Outflows of Resources	148.9	82.6
Total Assets and Deferred Outflows of Resources	$ 19,175.4	$ 18,366.9
Current Liabilities	430.0	471.0
Non-current Liabilities	960.7	911.4
Deferred Inflows of Resources	74.7	77.7
Total Liabilities and Deferred Inflows of Resources	$ 1,465.4	$ 1,460.1
Net Position:		
Net Investments in Capital Assets	16,934.0	16,414.7
Restricted	1,124.5	822.6
Unrestricted	(348.5)	(330.5)
Total Net Position	**$ 17,710.0**	**$ 16,906.8**

At June 30, 2021, the Department's net position includes resources that are subject to external restrictions on how they may be used or represent amounts invested in capital assets net of related debt. The remaining or unrestricted balance of net position is a deficit of ($348.5) million primarily caused by the Department's pension and OPEB liabilities. Internally imposed designations of resources are not presented as restricted net position.

Changes in Net Position

The Department's net position increased by $803.2 million, or 4.8%. The balance of the increase in net position can be attributed to an increase in self-constructed infrastructure assets net of accumulated depreciation. As stated earlier, the primary purpose of the Department is to maintain and preserve road infrastructure assets. Furthermore, the South Carolina Transportation Infrastructure Bank donated $38.6 million in infrastructure assets to the Department.

In 2021, the Department's program expenses exceeded program revenues by $611.3 million. A breakdown of the $2.3 billion in gross revenues reveals that motor fuel user fees of $829.6 million represented 37%, while federal grants of $714.6 million represented 32%. Other revenue sources representing 31% of revenues came from various sources including toll revenues, motor vehicle fees, charges for services, state appropriations, and interest income.

During the fiscal year, the Department received approximately $4.9 million in Federal Emergency Management Assistance (FEMA) funds as reimbursement for eligible costs incurred from costs and damages due to multiple weather emergency events since 2015. Additional federal assistance will be based upon total costs and their federal assistance eligibility.

The Coronavirus Aid, Relief, and Economic Security (CARES) Act was signed into law on March 27, 2020 and included $25 billion to transit agencies to help to prevent, prepare for and respond to the COVID-19 pandemic. The apportionment for South Carolina was $120 million to South Carolina - $75.2 million for large and small urban transit systems and $44.8 million for rural transit systems. Funding is provided at a 100-percent federal share for all 27 public transit systems in the state, with no local match required. These funds are administered by the Federal Transit Administration and in fiscal year 2021, the Department received approximately $19.2 million in reimbursements. The CARES Act also contained $1.9 billion in Coronavirus Relief Funds for South Carolina, which the General Assembly authorized the spending for in two phases: Act 142 of 2020 (Phase 1) and Act 154 of 2020 (Phase 2). In fiscal year 2021, the Department received reimbursement of approximately $2.7 million.

Table A-2 presents a breakdown of these revenues and expenses for fiscal year 2020-2021 with comparative figures for the prior year.

Table A-2

SCDOT Changes in Net Position

(In Millions)

	Governmental Activities			
Revenues:	2021	% of Revenue	2020	% of Revenue
Program Revenues:				
Charges for Services	$ 111.9	5%	$ 166.8	7%
Operating Grants and Contributions	152.2	7%	144.2	6%
Capital Grants and Contributions	603.9	26%	736.4	31%
General Revenues:				
Motor Fuel User Fees	829.5	36%	734.2	31%
Infrastructure Maintenance Fees	347.4	15%	311.5	13%
Taxes	10.2	1%	8.5	0%
Unclaimed income tax credit	62.0	3%	38.4	2%
Other Fees	158.5	7%	154.8	7%
State Appropriations	0.1	0%	4.1	0%
Investment Earnings	6.8	0%	63.4	3%
Total Revenues	**$ 2,282.5**	**100%**	**$ 2,362.3**	**100%**
Expenses:				
Public Transportation	1,473.7		1,585.6	
Unallocated Interest Expense	5.6		8.0	
Total Expenses	**1,479.3**		**1,593.6**	
Changes in Net Position	**$ 803.2**		**$ 768.7**	

FINANCIAL ANALYSIS OF THE DEPARTMENT'S INDIVIDUAL FUNDS

As noted earlier, the Department uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the Department's governmental funds are to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Department's financing requirements. In particular, fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the Department's Transportation Special Revenue Fund reported ending fund balance of $446.2 million, a decrease of $4.6 million in comparison with the prior year. Restricted fund balance which can be spent only for bond and capital lease purposes is $210 thousand. Committed fund balance is 97.6% of the total fund balance or $435.5 million, which has been approved by the Board of Commissioners for spending in the coming years. The remainder of fund balance is "non-spendable" for (1) for inventories and prepaid items ($10.1 million), (2) for long-term receivables ($94 thousand) and for other assets ($203 thousand).

The Department's Infrastructure Maintenance Trust Special Revenue Fund reported ending fund balance of $941.6 million, an increase of $290.2 million from prior year. Restricted fund balance is 100% of the total fund balance or $941.6 million, as it has been restricted by law to fund maintenance expenditures of existing roadways.

The Department's County Transportation Committees Special Revenue Fund reported ending fund balance of $182.7 million, an increase of $12.1 million from the restated prior year. Restricted fund balance is 100% of the total fund balance or $182.7 million, as it has been restricted by law to fund county transportation committees expenditures.

GOVERNMENTAL FUND BUDGETARY HIGHLIGHTS

The South Carolina Appropriations Act as enacted becomes the legal operating budget for the Department. The Department's legally adopted budget is presented at the program level including the restricted, earmarked, and general funds appropriated and is included in Other Budgeted Funds for the State. Legal level of authority exists at the program level and any revisions to the budget over and above the amount totally appropriated must be approved by the State Fiscal Accountability Authority. The Department has the authority to carry forward any unspent cash balances in certain earmarked accounts and appropriate those balances to meet program expenditures.

Program expenditures for permanent improvements and maintenance that are federally funded were lower than planned due to the delayed execution of projects and weather-related delays. As a result, federal reimbursements were lower than budgeted.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Department's investment in capital assets for its governmental activities as of June 30, 2021, amounts to $22.1 billion, less accumulated depreciation of $5.0 billion, leaving a net book value of $17.1 billion. This investment in capital assets includes land, buildings, improvements, equipment, infrastructure and construction in progress. Infrastructure assets are items that are normally stationary in nature and can be preserved for a significantly longer period than most capital assets. In the case of the Department, infrastructure assets are classified into **three networks**: roads, bridges and right of ways. Costs or estimated costs of infrastructure and related depreciation were recorded retroactively back to the year 1917. The Department has chosen to depreciate infrastructure assets (excluding right of ways).

Table A-3 summarizes capital assets for fiscal year 2020-2021 with comparative figures for the prior year.

Table A-3

SCDOT Capital Assets

(In Millions)

	Primary Government	
	2021	2020
Land	$ 4.7	$ 4.7
Buildings and Improvements	94.7	93.9
Furniture, Vehicles and Equipment	321.6	319.5
Infrastructure		
Right of Way	1,812.3	1,768.1
Roads and bridges	16,188.7	15,407.6
Construction in Progress	3,654.4	3,794.0
Total Cost	$ 22,076.4	$ 21,387.8
Less Accumulated Depreciation	4,997.9	4,770.3
Net Capital Assets	**$ 17,078.5**	**$ 16,617.5**

The total increase in the Department's investment in capital assets for the current fiscal year was about 2.8% in terms of net book value. However, actual expenditures to purchase or construct capital assets were $671.5 million for the year. Donated assets equaled $38.6 million. Depreciation charges for the year totaled $246.2 million. There was a total of $3.0 million in net capital assets disposed of during the year. Refer to note 6 in the financial statements for additional information on capital assets.

Long Term Debt and Other Long Term Obligations

The authority of the Department to incur debt is described in Sections 57-11-210 of the South Carolina Code and continued and amended by Section 11-27-30 thereof, authorizing the issuance of general obligation State Highway Bonds for highway construction and related purposes backed by the full faith and credit of the state. State Highway Bonds are additionally secured by a pledge of so much of the revenues as may be made applicable by the General Assembly for state highway purposes from gasoline and fuel oil taxes and motor vehicle license fees.

The Department's total net long-term obligations increased by $24.9 million during the current fiscal year to $1 billion. The net increase is primarily attributed to the payment of principal on outstanding debt of $56.7 million. Other long-term debt includes $113.2 million due to the South Carolina State Transportation Infrastructure Bank for financial assistance on transportation projects managed by the entity and accrued compensated absences of $26.4 million (net decrease for the year of $2.5 million). Due within one year for all long-term obligations is $52.2 million. Refer to notes 7, 8 and 9 of the financial statements for additional information on debt administration.

The Department's net pension liability has been recorded in accordance with GASB Statement No. 68 and represents the Department's share of the State's net pension liability. The net pension liability as of June 30, 2020 was $416.1 million and at June 30, 2021, it had increased to $451.5 million. The increase is due to an overall increase in the net pension liability in the pension plan of the State. GASB Statement No. 68 does not affect the Department's required contributions to the pension plan. See note 12 to the financial statements for additional information regarding the Department's pension plan.

The Department is required to record its proportionate share of the net OPEB liability in accordance with GASB Statement No. 75 and represents the Department's share of the State's net OPEB liability related to the State's Retiree Health Insurance Trust Fund. The net OPEB liability as of June 30, 2021 was $390.0 million.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

During the 2018 Legislative Session Act 40, the “Roads Bill”, was adopted which provides the Department with the first sustainable and significant increase in revenue in 30 years. The motor fuel user fees will increase by 2 cents a year, beginning July 2018, and continue to increase by 2 cents per year for the next 6 years for a total of 12 cents by July 2022. In addition to motor fuel user fees, Act 40 increased a variety of motor vehicle fees, the maximum sales and use tax and created an infrastructure maintenance fee. During FY21-22, the Department expects to receive an additional $485 million in Act 40 revenues. The new revenues are to be largely allocated specifically to the long-term maintenance and preservation of the State system. Over the next ten years, with the assistance of these funds, the Department will improve the “worst of the worst” dangerous rural roads, replace fifty percent of the State’s structurally deficient bridges, resurface and rebuild fifty percent of the State’s highways and embark on 11- 12 Interstate widening projects.

The Department is committed to repair and rebuild the State’s transportation network to ensure that citizens and businesses can travel on a safe and reliable system. To do this successfully, the Department has developed and implemented multiple transportation planning documents, to include the Strategic Plan, the Multimodal Transportation Plan, Transportation Asset Management Plan, and the Statewide Transportation Improvement Program. Information about these plans is available on the South Carolina Department of Transportation’s website www.scdot.org.

One of the largest revenue sources for the Department are federal funds derived from the federal motor fuel user fees. The current federal transportation legislation is the Fixing America's Surface Transportation or FAST Act, which expires September 30, 2021. Federal legislation, the Infrastructure Investment and Jobs Act, has been introduced which would provide a significant (estimated 30%) increase in federal funding for surface transportation over the next five years.

The COVID-19 pandemic created unprecedented challenges for government, businesses, communities, and families. While much is still changing moment to moment, the Department’s mission remains clear: to build and maintain roads and bridges and provide mass transit across the state. The Department’s revenues are in the process of recovery and there has been a better than expected return on infrastructure maintenance fee aka vehicle sales tax. To financially prepare for recovery of revenues in the current year (2021-2022) the Department has cut 12% of the internal operating budget, which affects administrative items (supplies, travel, training, etc.), not road and bridge projects.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Department’s finances for all of the Department’s taxpayers, customers, investors and creditors. This financial report seeks to demonstrate the Department’s accountability for the money it receives.

Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

South Carolina Department of Transportation
Deputy Secretary of Finance and Administration
955 Park Street, Suite 304
Columbia, South Carolina 29202-0191

The Department’s component unit, Connector 2000 Association, Inc., issues its own separately audited financial statements. These statements may be obtained by directly contacting Southern Connector at Post Office Box 408, Piedmont, South Carolina 29673 or by telephone at (864) 527-2150.

SOUTH CAROLINA DEPARTMENT OF TRANSPORTATION

STATEMENT OF NET POSITION
JUNE 30, 2021

(In Thousands)

ASSETS AND DEFERRED OUTFLOWS	Primary Entity Governmental Activities	Component Unit
Current assets:		
Cash and cash equivalents	$ 1,568,919	$ 1,538
Invested securities lending collateral	32,335	-
Receivables:		
Federal government	84,667	-
State agencies	229,041	-
Local governments	9,599	-
Other entities-net of allowances	2,538	-
Accrued interest receivable	10,190	-
Prepaid items	5,878	50
Inventories	4,291	122
Total current assets	1,947,458	1,710
Noncurrent assets:		
Restricted assets:		
Cash and cash equivalents	210	12,893
Total restricted assets	210	12,893
Receivables, net of current portion:		
Local governments	4	-
Other entities	90	-
Other assets	203	-
Non-depreciable capital assets	5,471,356	-
Capital assets, net of accumulated depreciation	11,607,121	109,922
Total noncurrent assets	17,078,984	122,815
TOTAL ASSETS	19,026,442	124,525
Deferred outflows of resources:		
Deferred loss on refunding	590	-
Deferred outflows of resources related to pensions	67,667	-
Deferred outflows of resources related to OPEB	80,701	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	$ 148,958	$ -

See accompanying Notes to Financial Statements.

SOUTH CAROLINA DEPARTMENT OF TRANSPORTATION

STATEMENT OF NET POSITION
JUNE 30, 2021

(Continued)

(In Thousands)

LIABILITIES AND NET POSITION	Primary Entity Governmental Activities	Component Unit
Liabilities:		
Current liabilities:		
Bonds payable	$ 15,330	$ 9,600
Accrued interest payable	333	-
Accounts payable	191,968	136
Intergovernmental payable:		
Due to State agency	20,621	-
Capital leases payable	301	-
Accrued payroll and related liabilities	21,406	-
Accrued compensated absences	17,165	-
Unearned revenue	128,894	778
Deposits	1,710	-
Securities lending collateral	32,335	-
Total current liabilities	430,063	10,514
Noncurrent liabilities:		
Bonds payable, including unamortized premium and net of current portion	12,419	216,680
Intergovernmental payable:		
Due to State agency, net of current portion	93,798	-
Capital leases, net of current portion	3,744	-
Accrued compensated absences, net of current portion	9,185	-
Net pension liability	451,535	-
Net OPEB liability	389,973	-
Total noncurrent liabilities	960,654	216,680
TOTAL LIABILITIES	1,390,717	227,194
Deferred inflows of resources:		
Deferred inflows of resources related to pensions	23,997	-
Deferred inflows of resources related to OPEB	50,702	-
Total deferred inflows of resources	74,699	-
Net position:		
Net investment in capital assets	16,934,034	(6,504)
Restricted:		
SCDOT maintenance	941,821	2,708
County Transportation Committees	182,694	-
Unrestricted	(348,565)	(98,873)
TOTAL NET POSITION	$ 17,709,984	$ (102,669)

See accompanying Notes to Financial Statements.

SOUTH CAROLINA DEPARTMENT OF TRANSPORTATION

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

(In Thousands)

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position: Governmental Activities	Net (Expenses) Revenues and Changes in Net Position: Component Unit
Primary entity:						
Public transportation	$ 1,473,695	$ 111,901	$ 152,224	$ 603,910	$ (605,660)	$ -
Unallocated interest expense	5,617	-	-	-	(5,617)	-
Total primary entity	1,479,312	111,901	152,224	603,910	(611,277)	-
Component unit:						
Toll operations	$ 22,593	$ 11,628	$ -	$ -	$ -	$ (10,965)
Totals					(611,277)	(10,965)
General revenues:						
Motor fuel user fees					829,587	-
Taxes (sales and use/electric power)					10,158	-
Infrastructure maintenance fees					347,407	-
Unclaimed tax credit					61,987	-
Other revenues					158,539	-
State appropriations					57	-
Interest/investment Income					6,754	19
Total general revenues					1,414,489	19
Change in net position					803,212	(10,946)
Net position - Beginning, as restated					16,906,772	(91,723)
Net position - Ending					$ 17,709,984	$ (102,669)

See accompanying Notes to Financial Statements.

SOUTH CAROLINA DEPARTMENT OF TRANSPORTATION

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2021

(In Thousands)

	Transportation Special Revenue Fund	Infrastructure Maintenance Trust Fund	County Transportation Committees Fund	Total
ASSETS				
Current assets:				
Cash and cash equivalents	$ 520,567	$ 874,075	$ 174,277	$ 1,568,919
Invested securities lending collateral	32,335	-	-	32,335
Receivables:				
Federal government	84,667	-	-	84,667
State agencies	100,056	111,262	17,723	229,041
Local governments	8,307	308	984	9,599
Other entities	2,538	-	-	2,538
Accrued interest receivable	3,353	5,226	1,611	10,190
Prepaid items	5,878	-	-	5,878
Inventories	4,291	-	-	4,291
Total current assets	761,992	990,871	194,595	1,947,458
Noncurrent assets:				
Restricted assets:				
Cash and cash equivalents	210	-	-	210
Total restricted assets	210	-	-	210
Receivables, net of current portion				
Local governments	4	-	-	4
Other entities	90	-	-	90
Other assets	203	-	-	203
Total noncurrent assets	507	-	-	507
TOTAL ASSETS	$ 762,499	$ 990,871	$ 194,595	$ 1,947,965
LIABILITIES AND FUND BALANCE				
Liabilities:				
Current liabilities:				
Accounts payable	$ 131,470	$ 48,597	$ 11,901	$ 191,968
Intergovernmental payables				
Due to State agencies	1,165	15	-	1,180
Accrued payroll and related liabilities	20,758	648	-	21,406
Unearned revenue	128,898	-	-	128,898
Deposits	1,710	-	-	1,710
Securities lending collateral	32,335	-	-	32,335
TOTAL LIABILITIES	316,336	49,260	11,901	377,497
Fund Balance:				
Nonspendable				
Inventories and prepaid items	10,169	-	-	10,169
Long-term receivables	94	-	-	94
Other assets	203	-	-	203
Restricted	210	941,611	182,694	1,124,515
Committed	435,487	-	-	435,487
TOTAL FUND BALANCE	446,163	941,611	182,694	1,570,468
TOTAL LIABILITIES AND FUND BALANCE	$ 762,499	$ 990,871	$ 194,595	$ 1,947,965

See accompanying Notes to Financial Statements.

SOUTH CAROLINA DEPARTMENT OF TRANSPORTATION

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION

JUNE 30, 2021

(In Thousands)

FUND BALANCE - GOVERNMENTAL FUNDS		$ 1,570,468
Amounts reported for governmental activities in the statement of net position are different because:		
Assets are capitalized and depreciated or amortized in the statement of net position and are charged to expenditures in the governmental funds:		
Capital assets, net of accumulated depreciation		17,078,477
Unearned revenues are recognized on an accrual basis in the statement of net position and on the modified accrual basis in the governmental funds:		
Participation agreements, net of allowance for bad debts		4
Deferred outflow of resources are recognized in the statement of net position, but are not reported on in the governmental funds:		
Deferred loss on refunding of bonds		590
Deferred outflows of resources related to pensions		67,667
Deferred outflows of resources related to OPEB		80,701
Deferred inflow of resources are recognized in the statement of net position, but are not reported on in the governmental funds:		
Deferred inflows of resources related to pensions		(23,997)
Deferred inflows of resources related to OPEB		(50,702)
Liabilities are not due and payable in the current period, therefore, are not reported in the governmental funds:		
Bonds payable including unamortized premium	$ (27,749)	
Intergovernmental payable:		
Due to State agency	(113,239)	
Capital lease payable	(4,045)	
Accrued compensated absences	(26,350)	
Accrued interest payable	(333)	
Net pension liability	(451,535)	
Net OPEB liability	(389,973)	(1,013,224)
NET POSITION - GOVERNMENTAL ACTIVITIES		$ 17,709,984

See accompanying Notes to Financial Statements.

SOUTH CAROLINA DEPARTMENT OF TRANSPORTATION

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

(In Thousands)

	Transportation Special Revenue Fund	Infrastructure Maintenance Trust Fund	County Transportation Committees Fund	Total
REVENUES:				
Taxes:				
Sales and use	$ 205	$ 5,824	$ -	$ 6,029
Electric power	4,129	-	-	4,129
Fees:				
Motor fuel user fees	474,085	256,620	98,882	829,587
Infrastructure maintenance fees	-	347,407	-	347,407
Other fees, fines, and permits	158,539	-	-	158,539
Unclaimed tax credit	-	61,987	-	61,987
State appropriations	57	-	-	57
Federal grants - FHWA	680,466	-	-	680,466
Federal grants - FTA	25,694	-	-	25,694
Federal grants - FEMA	4,872	-	-	4,872
Federal grants - Coronavirus Relief Funds	2,719	-	-	2,719
Federal grants - Other	898	-	-	898
Interest/investment income	-	6,876	(122)	6,754
Sales of goods and fees for services	20,008	-	-	20,008
Other revenues	5,111	7,961	-	13,072
Participation agreement/project revenues	52,887	-	25,934	78,821
TOTAL REVENUES	1,429,670	686,675	124,694	2,241,039
EXPENDITURES:				
Current:				
General administration	47,234	-	-	47,234
Engineering	82,375	-	-	82,375
Toll facilities	3,804	-	-	3,804
Public transportation	34,623	-	-	34,623
Highway maintenance	618,635	262,420	-	881,055
County Transportation Committees	-	-	130,329	130,329
Capital outlay:				
Rights of way land	44,786	1,277	-	46,063
Construction in progress				
Infrastructure - road and bridge network	491,354	110,846	-	602,200
Other	3,107	-	-	3,107
Equipment and furniture	11,282	-	-	11,282
Vehicles	8,821	-	-	8,821
Debt service:				
Principal	56,965	-	-	56,965
Interest	5,893	-	-	5,893
Allocations to other entities:				
State agency - Transportation Infrastructure Bank	27,012	-	-	27,012
State agency - Department of Revenue	-	4,269	-	4,269
TOTAL EXPENDITURES	1,435,891	378,812	130,329	1,945,032
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(6,221)	307,863	(5,635)	296,007
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	1,613	-	-	1,613
Transfer in - Donor bonus	-	-	17,694	17,694
Transfer out - Donor bonus	-	(17,694)	-	(17,694)
TOTAL OTHER FINANCING SOURCES (USES)	1,613	(17,694)	17,694	1,613
NET CHANGE IN FUND BALANCE	(4,608)	290,169	12,059	297,620
FUND BALANCE, beginning of year, as restated	450,771	651,442	170,635	1,272,848
FUND BALANCE, end of year	$ 446,163	$ 941,611	$ 182,694	$ 1,570,468

See accompanying Notes to Financial Statements.

SOUTH CAROLINA DEPARTMENT OF TRANSPORTATION

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2021

(In Thousands)

INCREASE IN FUND BALANCE - GOVERNMENTAL FUNDS		$ 297,620
Amounts reported for governmental activities in the statement of activities are different because:		
Costs of capital assets are reported as expenditures in the governmental fund and are reported as capital asset additions in the statement of net position		671,473
Costs of donated capital assets for right of ways land and infrastructure - road and bridge network are reported in the statement of activities are not reported in the governmental fund		38,603
Depreciation of capital assets is reported as expenses in the statement of activities		(246,165)
Amortization of deferred losses on refunding of bonds is reported as expenses in the statement of activities		(484)
Changes related to pension liabilities are reported as expenses in the statement of activities		(10,749)
Contributions to the OPEB plan by non employer entities are reported as revenue in the statement of activities		2,881
Changes related to OPEB liabilities are reported as expenses in the statement of activities		(11,835)
Decrease in accrued interest payable is reported as an expense in the statement of activities		276
Deferred revenues are reported on a modified accrual basis in the governmental fund and on an accrual basis in the statement of activities		(1)
Amortization of premium on bonds is reported as a reduction of expenses in the statement of activities		5,118
Repayments of long-term debt are reported as expenditures in the governmental fund and are reported as a reduction of liabilities in the statement of net position:		
Bonds payable	$ 36,985	
Capital Lease payable	292	
Intergovernmental payable:		
Due to State agency	19,688	
		56,965
Decrease in accrued compensated absences is reported as expense in the statement of activities		2,492
Costs less accumulated depreciation of capital assets disposed of are reported as expenses in the statement of activities		(2,982)
INCREASE IN NET POSITION - GOVERNMENTAL ACTIVITIES		$ 803,212

See accompanying Notes to Financial Statements.

SOUTH CAROLINA DEPARTMENT OF TRANSPORTATION

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Reporting Entity

The South Carolina Department of Transportation (the "Department") was established pursuant to Section 57-1-20 of the Code of Laws of South Carolina (the "State") as an administrative agency of the State, comprised of a Division of Intermodal Planning; a Division of Engineering; and a Division of Finance and Administration. The Department is responsible for the planning, construction, maintenance and operation of the highway system of the State and the coordination of statewide mass transit activities.

The Department is governed by the South Carolina Transportation Commission (the "Commission"), which is composed of nine members: one member from each Congressional District and two at-large members. The District members are appointed by the Governor, subject to approval of the legislative delegations of their respective Districts. The at-large members are appointed by the Governor, subject to approval by a separate confirmation vote in both the Senate and the House of Representatives.

The Commission serves as a general policy-making body for the various functions and purposes of the Department as prescribed by law. The Commission defines policies that are to be administered by the Secretary of Transportation.

The core of a financial reporting entity is normally the primary government, which has a separately elected governing body. The Department is reported as part of the primary government of the State. An organization other than a primary government may serve as a nucleus for a reporting entity when it issues separate financial statements. The Department is identified herein as such a primary entity. As required by generally accepted accounting principles, the financial reporting entity includes both the primary entity and all of its component units. Component units are legally separate organizations for which the elected officials of the primary entity are financially accountable, or entities that if excluded would make the financial statements misleading or incomplete. In turn, component units may have component units. The Department has determined it has one component unit, the Connector 2000 Association, Inc. (the "Association"). The Association is reported as of December 31 year-end. The Association's disclosures are included in Note19.

A primary government or entity is financially accountable if it appoints a voting majority of the organization's governing body, and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary entity. The primary entity also may be financially accountable if an organization is fiscally dependent and there is a potential for the organization to provide a financial benefit or impose a financial burden on the primary entity, even if it does not appoint a voting majority of the board. An organization is fiscally dependent on the primary entity that holds one or more of the following powers:

1) Determines its budget without another government having the authority to approve and modify that budget;
2) Levies taxes or set rates or charges without approval by another government; or,
3) Issues bonded debt without approval by another government.

Based on the above described financial accountability criterion, the Department has determined it is not a component unit of another entity and the Association is a component unit of the Department under Statements 14, 39 and 61 of the Governmental Accounting Standards Board ("GASB"). The Association is a component unit due to the nature and significance of the relationship between the Association and the Department. This financial reporting entity includes only the Department (a primary entity) and its component unit.

Government-Wide and Fund Financial Statements

The financial statements of the Department and its component unit are presented in accordance with accounting principles generally accepted in the United States of America applicable to state and local governmental units. The GASB is the accepted standard-setting body in the United States of America for establishing governmental accounting and financial reporting principles.

Government-Wide Financial Statements

The Government-wide financial statements are prepared on the accrual basis of accounting and include a "Statement of Net Position" which discloses the financial position of the Department; and a "Statement of Activities" which demonstrates the degree to which the direct expenses by function of the Department's programs are offset by program revenues.

Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) Charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as general revenues.

The Government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all the activities of the primary government.

Fund Financial Statements

The Department uses funds to report its financial position and results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

Governmental Funds:

Governmental funds are those through which most governmental functions typically are financed and are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked monies. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used; current liabilities are assigned to the fund from which they are to be paid; and, the difference between the assets and liabilities is fund balance.

Transportation Special Revenue Fund – The Transportation Special Revenue Fund, which is a special revenue fund, generally records the expenditure of revenues that are committed or restricted to specific programs or projects. This special revenue fund accounts for federal grant program revenues, taxes levied with statutorily defined distributions, and other resources committed or restricted as to purpose. Charges for and costs of operations of vehicles and other equipment utilized for road and bridge network projects are reported in this fund. The State Transportation Special Revenue Fund was established pursuant to Section 57-11- 20 of the Code of Laws of South Carolina (the "Code").

This fund accounts for, among others, gasoline user fee, and other special imposts upon highway users for the construction and maintenance of highways and bridges and for other operations of the Department. This fund also accounts for revenue from the sales of goods and services and from participation agreements between the Department and other entities for the sharing of costs of construction projects. The Department's appropriation from the State's General Fund is also included in this fund.

Infrastructure Maintenance Trust Special Revenue Fund – The Infrastructure Maintenance Trust Fund was created by South Carolina Act 40 of 2017 and provides additional funding to the Department to be used for the repairs, maintenance and improvements to the existing transportation system.

This fund accounts for a 2 cents increase to the existing gasoline user fee per year for six years, an infrastructure maintenance fee imposed on the registration of vehicles, trailers, semi-trailers and other items pursuant to Chapter 3 of Title 56 of the Code, a motor carrier road use fee, an increase in biennial vehicle registration fees and a road use fee on hybrid and alternative fuel vehicles. The Infrastructure Maintenance Trust Fund is a special revenue fund as all funds are restricted by law to the repairs, maintenance, and improvements of the existing transportation system.

County Transportation Committees Fund – The County Transportation Committees Fund records was established pursuant to Section 12-28-2740 of the Code to provide for the receipt and use of the 2.66 cents per gallon gasoline user fee designated for the County Transportation Committees. Beginning July 1, 2018, the South Carolina Act 40 of 2017, increased the County Transportation Committees' portion annually by .3325 cents per gallon through July 1, 2021, when the total amount will equal 3.99 cents per gallon. The County Transportation Committees Fund also receives a transfer of up to $20.5 million annually from the Infrastructure Maintenance Trust Fund. Each county has a Transportation Committees that is appointed by the county legislative delegation to administer the use of these funds. Based on the legally prescribed allocation formula, these monies are either paid directly to the counties for infrastructure projects that are administered by the counties or to vendors on behalf of the counties for expenditures incurred on projects that the county Transportation Committees have contracted the Department to administer.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned or for non-exchange transactions, when all eligibility requirements have been met, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. “Measurable” means that the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to pay obligations of the current period. For this purpose, the Department considers major sources of revenues to be available if they are collected within sixty days of the end of the current fiscal year. Major sources of revenue reported in compliance with policy are taxes and fees, federal grants, and participation agreements. The Department also accrues current amounts due on long-term receivables based on set repayment schedules.

Expenditures generally are recorded when a liability is incurred, except for principal and interest on bonds payable and other long-term obligations, as under accrual accounting.

Revenues – Exchange and Non-Exchange Transactions

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are recorded on the accrual basis when the exchange takes place and the transaction revenues are recorded in the fiscal year in which the resources are measurable and become available on the modified accrual basis.

Non-exchange transactions, in which the Department receives value without directly giving value in return, include grants and donations. On an accrual basis, revenue from grants and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted or authorized; matching requirements, in which the Department must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the Department on a reimbursement basis contingent upon the federal authority to claim the funds.

Budget Policy

All activity in the Department’s governmental funds is budgeted, and inclusive of State General Funds and Other Funds. The State General Assembly enacts the annual appropriation which becomes the Transportation Special Revenue Fund, Infrastructure Maintenance Trust Special Revenue Fund, and County Transportation Committees Funds operating budget. Please refer to the information contained in Required Supplementary Information for the budgeted and actual expenditures on the budgetary basis of accounting and related notes on pages 63-65.

Cash and Cash Equivalents

The amounts shown in the financial statements of the Department as “cash and cash equivalents” represent petty cash, cash on hand with the State Treasurer, and cash invested in various instruments by the State Treasurer as part of the State’s internal cash management pool.

Most State agencies, including the Department, participate in the State’s internal cash management pool. Because the cash management pool operates as a demand deposit account, amounts invested in the pool are classified as cash and cash equivalents. The State Treasurer administers the cash management pool. The pool includes some long-term investments, such as obligations of the United States and certain agencies of the

United States, obligations of the State of South Carolina and certain of its political subdivisions, certificates of deposit, collateralized repurchase agreements, and certain corporate bonds. Information pertaining to carrying amounts, fair value, and credit risk of the State Treasurer's investments is disclosed in the Annual Comprehensive Financial Report ("ACFR") of the State of South Carolina.

The State's internal cash management pool consists of a general deposit account and several special deposit accounts. The State records each fund's equity interest in the general deposit account; however, all earnings on that account are credited to the General Fund of the State. The Department records and reports its deposits in the general deposit account at cost, and records and reports its deposits in the special deposit accounts at fair value. Investments held by the pool are recorded at fair value. Interest earned by the Department's special deposit accounts is posted to the Department's account at the end of each month and is retained. Interest/investment earnings are allocated based on the percentage of the Department's accumulated daily income receivable to the income receivable of the pool. Reported income includes interest earnings at the stated rate, realized gains/losses and unrealized gains/losses arising from changes in the fair value of investments in the pool. Realized gains and losses are allocated daily and are included in the accumulated income receivable. Unrealized gains and losses are allocated at year-end based on the percentage ownership in the pool.

Some State Treasurer accounts are not included in the State's internal cash management pool because of restrictions on the use of the funds. For those accounts, cash equivalents include investments in short-term highly liquid securities having an initial maturity of three months or less at the time of acquisition. At year-end, the Department held no investments.

Capital Assets

Capitalized assets include land, improvements to land, easements, right-of-ways, buildings, building improvements, vehicles, equipment, furniture, infrastructure, and all other tangible or intangible assets that are used in operations and have initial useful lives extending beyond a single reporting period. Infrastructure assets acquired prior to fiscal years ended June 30, 1980 are reported at cost beginning with fiscal year 1917. Capital assets also include assets purchased with Federal funds in which the Federal government retains a reversionary interest.

Capital assets are recorded at cost at the date of acquisition or acquisition value at the date of donation in the case of gift. Assets contributed by another state agency are recorded at the carrying value of that agency. The Department follows capitalization guidelines established by the State. Major additions, renovations, and other improvements which provide new uses, or extend the useful life of an existing capital asset, are capitalized. Routine repairs and maintenance are charged to operations in the year in which the expense is incurred.

Depreciation is computed using a full month of depreciation recorded upon the initial acquisition of the asset. A full month of depreciation will be recorded during the life of the asset each month and this will continue until retirement of the asset or until full depreciation of that asset has occurred.

A summary of the Department’s capitalization thresholds and useful life by asset category is as follows:

Asset Category	Capitalization	Useful Life (Years)
Land	All, regardless of cost	Indefinite
Non-depreciable land improvements	All, regardless of cost	Indefinite
Depreciable land improvements	Any costing more than $100,000	30
Infrastructure:	Any costing more than $500,000	
Roads		75
Bridges		50
Buildings and building improvements	Any costing more than $100,000	30
Vehicles Equipment and furniture	Any costing more than $5,000	5 – 12

Receivables

Receivables are reported net of any allowances for uncollectible amounts and any discounts, if applicable. The Department’s receivables consist of amounts due from the Federal government, State agencies, local governments, and other entities and individuals. Some of the receivables are evidenced by notes and contracts. The notes and contracts are related to costs shared by other entities in construction projects.

Prepaid Items

The Department makes certain payments to vendors to reflect costs applicable to future accounting periods and are recorded as prepaid expenses in the accompanying financial statements.

Inventories

The Department maintains inventories for its use and resale to other state agencies, local governments, and other entities. All inventories are valued at cost using the weighted average method. Expenditures for inventory are accounted for using the consumption method of accounting.

Other Assets

Other assets consist of right of way land the Department had to purchase for economic reasons that was not allocable to project construction costs. These purchases are held until they are disposed of and are reflected in the accompanying financial statements at the original cost to the Department. Expenditures for this land are accounted for using the consumption method of accounting in which the purchase is recorded as expenditure when purchased. Gains or losses on the disposition of right of way land are included in the other revenues category in the fund financial statements. Right of way land transferred to county and municipal governments for no consideration are recorded as allocations to other entities – county and municipal governments in the fund financial statements.

Bonds Payable, Bond Discounts, Bond Premiums and Bond Issuance Costs

The Department reports bonds payable in the government-wide financial statements. The Department defers and amortizes bond discounts and bond premiums over the term of the bonds using the bonds outstanding method, which results in amortization being computed using the percentage of bonds retired to the original amount of bonds issued. Costs incurred in connection with the bond issues are expensed as incurred unless it is insurance. The Department reports bonds payable net of the applicable bond premium or discount.

Deferred Outflows and Inflows of Resources

Deferred outflows of resources consist of deferred losses on refunding of bonds and amounts related to the net pension and other post-employment benefits ("OPEB") liabilities. The deferred losses on refunding of bonds result from the current or advance refunding of bonds resulting in the defeasance of debt. The difference between the reacquisition price and the net carrying amount of the old debt is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter.

Refer to Notes 10, 12, and 13 for information on Department's deferred outflows and inflows of resources.

Rebatable Arbitrage

Arbitrage involves the investment of proceeds from the sale of tax-exempt securities in a taxable investment that yields a higher rate, resulting in income in excess of interest costs. Federal law requires entities to rebate to the government such income on tax-exempt debt if the yield from those earnings exceeds the effective yield on the related tax-exempt debt issued. Governmental units may avoid the requirement to rebate the "excess" earnings to the federal government under certain circumstances, if they issue no more than $5 million in total of all such debt in a calendar year and if they meet specified targets for expending of the proceeds and interest earnings thereon. For this purpose, tax-exempt indebtedness includes bonds and certain capital leases and installment purchases. The federal government only requires arbitrage be calculated, reported and paid every five years or at maturity of the debt, whichever is earlier.

The potential liability is calculated annually for financial reporting purposes. There was no arbitrage liability at June 30, 2021.

Unearned Revenue

Unearned revenue in the government-wide financial statements consists of advance payments received for construction projects which have not been earned. Revenues are recognized in the period in which the project expenditures are made. Revenues from participation agreements and other project contracts are recognized as earned based on the percentage of completion method. The unearned portion is reflected as unearned revenue in the liability section of the financial statements of the Department until earned.

Unearned revenue in the fund financial statements represents the long-term portion of receivables that will not be collected within one year of the balance sheet date and advance payments for construction projects.

Compensated Absences

Generally, all permanent, full-time State employees and certain part-time employees scheduled to work at least one-half of the agency's work days of the month are entitled to accrue and carry forward at calendar year-end maximums of 180 days sick leave and of 45 days annual vacation leave. Upon termination of State employment, employees are entitled to be paid for accumulated unused annual vacation leave up to the maximum, but are not entitled to any payment for unused sick leave. The compensated absences liability includes accrued annual leave earned for which the employees are entitled to paid time off or payment at termination. The Department calculates the gross compensated absences liability based on recorded balances of unused leave. The entire unpaid liability for which the employer expects to compensate employees through paid time off or cash payments, inventoried at fiscal year-end current salary costs and the cost of the salary-related benefit payments, is recorded as a liability.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources, and disclosure of contingent assets and liabilities at the date of the basic financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Accordingly, actual results could differ from those estimates. Estimates include but are not limited to the amounts remaining on outstanding construction contracts, the allowance for doubtful accounts and the useful life of capital assets and estimates of the pension and OPEB liabilities.

Net Position

The Department presents the following classifications of net position in the “Statement of Net Position” in accordance with GASB 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.

Net Investment in Capital Assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation and amortization, and reduced by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position – Consists of assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. In all cases, if individual restricted net position categories are negative, the negative balance is eliminated and reclassified against unrestricted net position. $941.6 million of net position is restricted by enabling legislation related to the Infrastructure Maintenance Trust Fund. $182.7 million of net position is restricted by enabling legislation related to the County Transportation Committees Fund.

Unrestricted net position – All other net position that does not meet the definition of “restricted” or “net investment in capital assets”.

The Department’s policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Fund Balance

The following categories of fund balance are being used in the fund level financial statement of the governmental fund in accordance with GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*:

Nonspendable fund balance

The nonspendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts.

Restricted fund balance

The restricted fund balance classification includes amounts that are either restricted externally by creditors, grantors, contributors, or laws or regulations of other governments or restricted by law through constitutional provisions or enabling legislation. The use of the Infrastructure Maintenance Trust Special Revenue Fund and County Transportation Committees fund is restricted by law and as such, its fund balances is presented as restricted.

Committed fund balance

The committed fund balance classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Department’s highest level of decision-making authority. Those committed amounts cannot be used for any other purpose unless the Department removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. Committed fund balances also incorporate contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. The Department recognizes committed fund balances that have been approved for specific purposes by Department Commission before the fiscal year end.

The Department pre-defines the use of committed fund balance with two key actions. 1) The Commission submits a budget to the governor, the budget, in some revised form, is later approved by the legislature and governor, which generally governs the purpose and use of departmental funds and resources. 2) The

Commission also develops and approves, following public comment, the Statewide Transportation Improvement Plan ("STIP") which further prioritizes the use of Departmental funds and resources for the following six years. Amendments to either the annual budget or the STIP require formal submission to the State Budget Office or to the Commission respectively.

Assigned fund balance

The assigned fund balance classification includes amounts that are constrained by the Department's intent to be used for specific purposes but are not restricted or committed. The authority for making an assignment is not required to be the Department's highest level of decision-making authority and as such, the nature of the actions necessary to remove or modify an assignment does not require the Department's highest level of authority. Assigned fund balance amounts in the Department's financial statements represent amounts approved by the Department to be transferred and spent after year end. In the special revenue fund, assigned fund balances represent amounts to be spent for specific purposes. The Department had no assigned fund balance at June 30, 2021 as it was all restricted or committed.

Unassigned fund balance

The unassigned fund balance classification includes amounts that have not been assigned to other funds and has not been restricted, committed, or assigned for specific purposes within the general fund. The Department's governmental funds are presented as special revenue funds, and therefore, there was no unassigned fund balance.

Based on the Department's policies regarding fund balance classifications as noted above, the Department considers amounts that are restricted, committed, or assigned to be spent when the corresponding expenditure that has been designated by the Department's Commission has been made.

Implementation of New Accounting Standards

The Department implemented GASB Statement No. 84, *Fiduciary Activities* in the year ended June 30, 2021. Net position and fund balance as of July 1, 2020 has been restated in accordance with these provisions.

Fiduciary funds are used to account for assets held in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. Due to the implementation of GASB Statement No. 84, *Fiduciary Activities*, in fiscal year 2021, the Department does not have any Fiduciary funds. Assets previously reported as Fiduciary in the prior fiscal year, are now reported in the Transportation Special Revenue Fund and the County Transportation Committees Fund.

The following schedule summarizes the restatement in net position:

(In Thousands)

Net position as of June 30, 2020, as previously reported:	$	16,736,137
Adjustment to reclassify fiduciary funds:		170,635
Net position as of June 30, 2020, as restated:	$	16,906,772

The following schedule summarizes the restatement in fund balance:

(In Thousands)

Fund balance as of June 30, 2020, as previously reported:	$	1,102,213
Adjustment to reclassify fiduciary funds:		170,635
Fund balance as of June 30, 2020, as restated:	$	1,272,848

NOTE 2. DEPOSITS AND INVESTMENTS:

Deposits Held by State Treasurer

The deposits of the Department held by the State Treasurer are under the control of the State Treasurer who, by law, has sole authority for investing State funds. State law requires full collateralization of all State Treasurer bank balances. The State Treasurer must correct any deficiencies in collateral within seven days.

With respect to investments in the State's internal cash management pool, all of the State Treasurer's investments are insured or registered or are investments for which the securities are held by the State or its agent in the State's name. The State's investment policy by law authorizes investments that vary by fund, but generally include obligations of the United States and certain agencies of the United States, obligations of the State of South Carolina and certain of its political subdivisions, certificates of deposit, collateralized repurchase agreements, certain corporate bonds, and commercial paper.

Custodial credit risk for investments is the risk that in the event of a failure of the counterparty to a transaction, the State will not be able to recover the value of investments or collateral securities that are in possession of an outside party. All of the State Treasurer's investments are fully insured orcollateralized.

More information pertaining to carrying amounts, fair value, credit and other risks as required by GASB Statement No. 40, *Deposits and Investments - Risk Disclosures*, and GASB Statement No. 72, *Fair Value Measurement and Application* of the State Treasurer's investments are disclosed in the ACFR of the State of South Carolina.

The following schedule reconciles deposits and investments within the footnotes to the amounts in the financial statements:

(In Thousands)

	Financial Statements		Footnotes
Primary Entity:			
Unrestricted current assets:			
Cash and cash equivalents	$ 1,568,919	Deposits held by State Treasurer	$ 1,569,129
Restricted noncurrent assets:			
Cash and cash equivalents	210		-
Total Primary Entity	$ 1,569,129		$ 1,569,129

Cash and cash equivalents reported include an unrealized gain of $30.6 million for the governmental funds as of June 30, 2021, arising from changes in the fair value. Interest/investment income includes an unrealized loss of $19.7 million for the year ended June 30, 2021, for the Department's governmental funds.

NOTE 3. STATE APPROPRIATIONS:

The original appropriation is the Department's base budget amount as presented in House Bill 3411 to act as a Continuing Resolution for Section 84 of the 2020-2021 Appropriation Act. The Department received $2.854 billion in appropriations. The Department received $57.3 thousand in recurring state general funds. The Department carried forward $5.780 million in state appropriations from fiscal year 2020 to 2021. In fiscal year 2021, the Department expended $1.924 billion on the budgetary basis of accounting and $1.945 billion was expended under the modified accrual basis of accounting.

NOTE 4. RECEIVABLES:

PRIMARY ENTITY:

The following schedule summarizes receivables at June 30, 2021, which include various notes, contracts and other accounts receivable.

(In Thousands)

Due From / Description	Current Portion	Long-term Portion	Totals
Intergovernmental:			
Federal Government:			
Amounts due under various grant programs and reimbursable contracts	$ 84,667	$ -	$ 84,667
	84,667	-	84,667
State Agencies:			
South Carolina Department of Motor Vehicles	71,310	-	71,310
South Carolina Department of Revenue	131,131	-	131,131
Various Agencies	26,600	-	26,600
	229,041	-	229,041
Local Governments:			
Long-term contracts for construction projects	7,719	4	7,723
Participation agreements	1,880	-	1,880
	9,599	4	9,603
Other:			
Long-term contracts for construction projects	590	90	680
Sales of goods and services	2,403	-	2,403
Less: allowance for doubtful accounts	(455)	-	(455)
	2,538	90	2,628
Total Receivables	$ 325,845	$ 94	$ 325,939

The balances due under long-term contracts for construction projects from local governments and other entities represent loans to those entities for their share of the costs of construction projects.

NOTE 5. INVENTORIES:

The following schedule summarizes inventories at June 30, 2021:

(In Thousands)

Sign Shops	$ 723
Repair Shops	2,605
Supply Depot	963
	$ 4,291

NOTE 6. CAPITAL ASSETS:

PRIMARY ENTITY:

The following schedule summarizes changes in the Department's capital assets and their funding sources for the year ended June 30, 2021:

(In Thousands)

	Balances at June 30, 2020	Increases	Decreases	Transfers	Balances at June 30, 2021
Capital assets not being depreciated:					
Land and improvements	$ 4,695	$ -	$ -	$ -	$ 4,695
Right of way land	1,768,159	46,728	(2,592)	-	1,812,295
Construction in progress:					
Infrastructure - road and bridge network	3,785,007	640,138	-	(782,046)	3,643,099
Other	9,015	3,107	-	(855)	11,267
Total capital assets not being depreciated	5,566,876	689,973	(2,592)	(782,901)	5,471,356
Other capital assets:					
Infrastructure - road and bridge network	15,407,567	-	(893)	782,046	16,188,720
Buildings and improvements	93,870	-	-	855	94,725
Equipment and furniture	182,344	11,282	(9,702)	-	183,924
Vehicles	137,184	8,821	(8,314)	-	137,691
Total other capital assets	15,820,965	20,103	(18,909)	782,901	16,605,060
Less accumulated depreciation for:					
Infrastructure - road and bridge network	4,482,222	222,298	(797)	-	4,703,723
Buildings and improvements	55,719	2,170	-	-	57,889
Equipment and furniture	109,759	12,324	(9,424)	-	112,659
Vehicles	122,593	9,373	(8,298)	-	123,668
Total accumulated depreciation	4,770,293	246,165	(18,519)	-	4,997,939
Other capital assets, net	11,050,672	(226,062)	(390)	782,901	11,607,121
Total capital assets for governmental activities, net	$ 16,617,548	$463,911	$ (2,982)	$ -	$ 17,078,477

The following schedule further summarizes additions to capital assets and their funding sources for the year ended June 30, 2021:

(In Thousands)

Additions:	
Increases per above:	
Capital assets not being depreciated	$ 689,973
Other capital assets	20,103
Total additions	$ 710,076
Funding Sources:	
Governmental funds	$ 671,473
Donated capital assets:	
SC Transportation Infrastructure Bank	38,603
Total funding sources	$ 710,076

Included in the Department's capital assets as of June 30, 2021, is approximately $110 million that was paid for by the Association for the Southern Connector. The same amount has been capitalized by the Association as the capital asset Interest in License Agreement with the Department. Accumulated depreciation on these assets was $84.9 million at June 30, 2021. Depreciation expense on these assets for the year ended June 30, 2021, was $3.9 million.

At June 30, 2021, the estimated total costs of Department projects in progress to construct, acquire and maintain various capitalized assets amounted to approximately $11.7 million for facilities capital projects and approximately $11.6 billion for infrastructure projects including capital and non-capital costs. The estimated costs to complete the facilities capital projects amounted to approximately $531.3 thousand and the infrastructure projects amounted to approximately $3.9 billion at June 30, 2021. The outstanding contractual obligations attributable to the facilities capital projects were approximately $7.6 million and to the infrastructure projects were approximately $1.7 billion. The estimated time frame for completion of these projects is from one to five or more years. The costs of the projects in progress and future projects will be funded from taxes and fees, federal grants, bond proceeds and other Department revenues. The amounts for infrastructure projects exclude those infrastructure project costs funded by the South Carolina Transportation Infrastructure Bank. The total amount of depreciation expense recorded by the Department in fiscal year 2021 was $246.2 million.

NOTE 7. CHANGES IN LONG-TERM OBLIGATIONS:

The following schedule summarizes changes in long-term obligations of the Department for the year ended June 30, 2021:

(In Thousands)

	Balances at June 30, 2020	Increases	Decreases	Balances at June 30, 2021	Due Within One Year
General obligations bonds payable	$ 60,505	$ -	$ 36,985	$ 23,520	$ 13,050
Unamortized premiums	9,347	-	5,118	4,229	2,280
Total Bonds Payable	69,852	-	42,103	27,749	15,330
Intergovernmental payable:					
Due to State Agency - SCTIB	132,927	-	19,688	113,239	19,441
Capital lease	4,337	-	292	4,045	301
Accrued compensated absences	28,842	12,994	15,486	26,350	17,165
Net pension liability	416,052	64,892	29,409	451,535	-
Net OPEB liability	335,988	56,866	2,881	389,973	-
Total governmental activities	$ 987,998	$ 134,752	$ 109,859	$ 1,012,891	$ 52,237

The Department has an additional amount due to the state agencies of $1.2 million which is included in the current portion of due to state agencies in the accompanying statement of net position.

The following schedule summarizes principal and interest expenditures/expenses attributable to long-term obligations of the Department for year ended June 30, 2021:

(In Thousands)

	Principal	Interest	Totals
Bonds Payable	$ 36,985	$ 2,468	$ 39,453
Capital Lease	292	134	426
Due to State Agency - SCTIB	19,688	3,291	22,979
Total Expenditures - Governmental Funds	$ 56,965	5,893	$ 62,858
Adjustments to Government - wide statements			
Change in interest accrual - bonds payable		(276)	
Total Interest Expense - Government wide		$ 5,617	

Long-term liabilities are primarily extinguished by the Transportation Special Revenue Fund.

NOTE 8. BONDS PAYABLE:

Sections 57-11-210, et seq. of the Code (the "State Highway Bond Act"), as continued and amended by Section 11-27-30 thereof, authorized the issuance of general obligation State Highway Bonds for highway construction and related purposes backed by the full faith, credit, and taxing power of the State. State Highway Bonds are additionally secured by a pledge of so much of the revenues as may be made applicable by the General Assembly for State highway purposes from any and all taxes, fees, or licenses imposed upon individuals or vehicles for the privilege of using the public highways of the State. Such taxes and fees include the gasoline user fee, the fuel oil tax, the road tax and the motor vehicle license fees described herein. So long as any State Highway Bonds are outstanding the amount of revenues made applicable thereto by the General Assembly may not be less than the amounts needed to fund the general operations budget of the Department and meet debt service requirements for annual principal and interest payments on such bonds. Section 57-11-240 of the South Carolina Code of Laws and Article X, Section 13 of the South Carolina Constitution state that highway bonds may be issued if such bonds are additionally secured by a pledge of revenues designated by the General Assembly for State highway purposes from taxes or licenses imposed for using the public highways of the State. The maximum annual debt service on all highway bonds shall not exceed fifteen percent of the proceeds received from the designated revenues for the fiscal year next preceding.

HIGHWAY BONDS

(In Thousands)

2019-2020 Budgetary General Fund revenues pledged for highway bonds	$ 10,977
2019-2020 other revenues pledged for highway bonds	753,934
2019-2020 revenues pledged for highway bonds	764,911
15% of 2019-2020 revenues pledged for highway bond	114,737
Less: maximum annual debt service for highway bonds	13,900
Legal debt service margin at June 30, 2020--highway bonds	$ 100,837

From time to time, the State Fiscal Accountability Authority may authorize the issuance of various amounts of State Highway Bonds for specific types of projects or individual projects and may authorize the total to be issued in one or more series depending on the projections of the timing of project expenditures to be funded from the proceeds.

A listing of the general obligation bonds payable at June 30, 2021, is as follows:

(In Thousands)

Issue Date	Series	Original Face Amount	Maturity Date	Interest Rates	Ending Balance
12/1/2013	2013A	23,165	7/1/2021	2.00-5.00%	$ 3,090
6/1/2014	2014A	63,410	10/1/2022	5.00%	20,430
					23,520
Add unamortized premium					4,229
Total bonds payable					$ 27,749

The following schedule summarizes the debt service requirements, including principal and interest, of bonds payable by the Department to maturity:

(In Thousands)

Balances at June 30:	Principal	Interest	Totals
2022	$ 13,050	$ 850	$ 13,900
2023	10,470	262	10,732
Total debt service for bonds payable	$ 23,520	$ 1,112	$ 24,632

Series 2010A
On April 1, 2010, the Department issued $299.9 million in general obligation State Refunding Bonds, Series 2010A. The purpose of the issuance was for advance refunding of $124 million of the Series 1999A bonds, $1.3 million of the Series 2001A bonds, and $194.5 million of the Series 2001B bonds.

The Department deposited $334.4 million in an escrow account with Bank of New York Mellon pursuant to an irrevocable Trust Indenture for the future retirement of the refunded bonds. The deposited funds were invested in State and Local Government securities. The $124.0 million of Series 1999A bonds, $1.3 million of Series 2001A bonds, and the $194.5 million of Series 2001B are considered to be defeased and the liability for those bonds has been removed from statement of net position. The amount of defeased principal outstanding on the 2010A bond is $0.

Series 2013A
On December 1, 2013, the Department issued $23.2 million in general obligation State Refunding Bonds, Series 2013A. The purpose of the issuance was for an advance refunding of $25.7 million for the Series 2003B bonds.

The Department deposited $26.2 million in an escrow account with the Bank of New York pursuant to an irrevocable Trust Indenture for the future retirement of the refunded bonds. The deposited funds were invested in State and Local Government securities. The $25.7 million of Series 2003B bonds are considered to be defeased and the liability for those bonds has been removed from the statement of net position. The amount of defeased principal outstanding on 2013A bond is $0.

Series 2014A
On June 1, 2014, the Department issued $63.4 million in general obligation State Refunding Bonds, Series 2014A. The purpose of the issuance was to advance refund $70.9 million of the Series 2005A bonds.

The Department deposited $75.0 million in an escrow account with the Bank of New York pursuant to an irrevocable Trust Indenture for the future retirement of the refunded bonds. The deposited funds were invested in State and Local Government securities. The $70.9 million of Series 2005A bonds are considered to be defeased and the liability for this portion of the bonds have been removed from the statement of net position. The principal balance defeased and held in escrow for the 2014A bond is $22.1 million as of June 30, 2021.

NOTE 9. INTERGOVERNMENTAL PAYABLE – DUE TO STATE AGENCY:

The Department entered into various intergovernmental agreements with the South Carolina Transportation Infrastructure Bank (the "Bank") and various local governments to provide financial assistance for highway and transportation facilities projects. Details of the agreements follow in which the Department has a financial obligation.

Charleston County Project. The total estimated project costs were estimated to be $650 million. Funding for the project consisted of a $540 million financial assistance award by the Bank and the funding of $110 million of expenditures by the Department and claimed as federal expenditures. In addition, the Department is contributing $200 million to the Bank at the rate of $8.0 million per year for 25 years without interest commencing in fiscal year 2003.

US 17 Beaufort and Colleton Counties. During fiscal year 2007, the Department and the Bank entered into an agreement to fund Phase I widening of US17 through Beaufort and Colleton Counties. Total project cost were estimated to be $100 million. Funding consisted of $11 million in federal dollars; $7 million contribution from Beaufort County; and Bank assistance in the form of an $82 million loan being repaid by the Department in annual installments of $4.9 million including 4.44% interest for 30 years commencing in fiscal year 2009. The first loan transfer of $53 million was made July 2008 with the remaining funds of $29 million transferred July 2009. The remaining $18 million was fully expended on this project.

Multi-Project Loan. During fiscal year 2006, the Department and the Bank entered into an agreement to extend the original Horry County agreement. This agreement extended an additional $12 million to complete the Horry County Ride Projects, $10 million to complete the Lexington project, $10 million to complete the Beaufort project and $62.1 million for the bridge demolition project in Charleston. The entire $62.1 million was utilized, with an imputed interest rate of 5.025%. Annual installments of $10 million began in 2010 and continue until 2023. On August 20, 2009, the Bank transferred $10 million from the Beaufort and Lexington projects to the US 17 project increasing the projects total allocation. On August 10, 2011, the Bank authorized the Department to utilize the remaining $12 million no longer needed for the Horry County project for design build bridge replacement projects.

The following schedule summarizes changes in contributions payable – State agency (the Bank) for the year ended June 30, 2021, and account balances of each year-end:

(In Thousands)

	Balances at June 30, 2020	Increases	Decreases	Balances at June 30, 2021	Due Within One Year
Charleston County Project	$ 55,333	$ -	$ 8,000	$ 47,333	$ 8,000
US 17	59,357	-	2,392	56,965	2,500
Multi-Project Loan	18,237	-	9,296	8,941	8,941
Totals	$ 132,927	$ -	$ 19,688	$ 113,239	$ 19,441

The Department has an additional amount due to the state agencies of $1.2 million which is included in the current portion of due to state agencies in the accompanying statement of net position.

The following schedule summarizes the debt service requirements, including principal and interest of the Department of Transportation to maturity:

(In Thousands)

Year Ending June 30	Principal	Interest	Total
2022	$ 19,441	$ 2,705	$ 22,146
2023	10,614	2,365	12,979
2024	10,733	2,247	12,980
2025	10,857	2,123	12,980
2026	10,986	1,994	12,980
2027-2031	24,420	7,812	32,232
2032-2036	21,326	3,573	24,899
2037	4,862	118	4,980
Totals	$ 113,239	$ 22,937	$ 136,176

NOTE 10. DEFERRED LOSS ON REFUNDING:

The advance refunding of the 2010A bonds resulted in a difference between the reacquisition price and the net carrying amounts of the old debt of $14.2 million. This difference is reported in the accompanying financial statements as a deferred outflow of resources and is being amortized on a straight-line basis and will be charged to operations through the fiscal year ending June 30, 2021, since a call premium was pre-funded. The Department completed the advance refunding to reduce its total debt service payments over the next 11 fiscal years by approximately $31.1 million and to obtain an economic gain of approximately $28.8 million (the difference between the present values of the debt service payments on the old debt and the new debt). The following summarizes the deferred loss on advance refunding of the Series 2010A bonds:

(In Thousands)

Escrow deposit	$ 334,443
Less: Net carrying amount	(320,249)
Deferred loss on refunding of bonds payable	14,194
Accumulated amortization of deferred loss	(14,194)
Balance of unamortized deferred loss	$ -

The advance refunding of the 2013A resulted in a difference between the reacquisition price and the net carrying amounts of the old debt of $96.1 thousand. This difference is reported in the accompanying financial statements as a deferred outflow and is being amortized on a straight-line basis and will be charged to operations through the fiscal year ending June 30, 2021. The Department completed the advance refunding to reduce its total debt service payments over the next 8 fiscal years by approximately $2.6 million and to obtain an economic gain of approximately $2.5 million (the difference between the present values of the debt service payments on the old debt and the new debt).

The following summarizes the deferred loss on advance refunding of the Series 2013A bonds:

(In Thousands)		
Escrow deposit	$	26,200
Less: Net carrying amount		(26,104)
Deferred loss on refunding of bonds payable		96
Accumulated amortization of deferred loss		(96)
Balance of unamortized deferred loss	$	-

Amortization of the deferred loss on refunding of bonds payable for the year ended June 30, 2021 was $12.7 thousand.

The advance refunding of the 2014A resulted in a difference between the reacquisition price and the net carrying amounts of the old debt of $3.9 million. This difference is reported in the accompanying financial statements as a deferred outflow and is being amortized on a straight-line basis and will be charged to operations through the fiscal year ending June 30, 2023. The Department completed the advance refunding to reduce its total debt service payments over the next 10 fiscal years by approximately $4.3 million and to obtain an economic gain of approximately $4.2 million (the difference between the present values of the debt service payments on the old debt and the new debt).

The following summarizes the deferred loss on advance refunding of the Series 2014A bonds:

(In Thousands)		
Escrow deposit	$	74,973
Less: Net carrying amount		(71,042)
Deferred loss on refunding of bonds payable		3,931
Accumulated amortization of deferred loss		(3,341)
Balance of unamortized deferred loss	$	590

Amortization of the deferred loss on refunding of bonds payable for the year ended June 30, 2021 was $471.6 thousand.

NOTE 11. LEASE OBLIGATIONS:

The Department incurred approximately $294.7 thousand in expenditures in the current fiscal year applicable to contingent lease agreements that are based on a five (5) year term in addition to a pay-per-copy arrangement. These lease agreements do not have minimum usage requirements. All contingent lease agreements are with external parties.

In March 2018, the Department entered into an agreement with TD Equipment Finance, Inc. through the State Treasurer Master Lease program to purchase energy, water, and wastewater services performance contract for the Department Headquarters Guaranteed Energy Savings Contract. The equipment has a cost of $4.5 million and at the end of the term of the loan ownership of the equipment will transfer to the Department. The interest rate of the lease is 3.040%. For accounting purposes, it is treated as a capital lease and the equipment is included in the Department's assets and is being depreciated on the straight-line method over fourteen years. The lease is also recorded as a long-term obligation of the Department and is included in Note 7 of the financial statements.

(in Thousands)

Year ending June 30	Principal	Interest	Total
2022	$ 301	$ 125	$ 426
2023	310	115	425
2024	320	106	426
2025	330	96	426
2026	340	86	426
2027-2031	1,863	265	2,128
2032-2033	581	20	601
Totals	$ 4,045	$ 813	$ 4,858

NOTE 12. PENSION PLANS:

The South Carolina Public Employee Benefit Authority (PEBA), created July 1, 2012, and governed by an 11-member Board, is the state agency responsible for the administration and management of the various Retirement Systems and retirement programs of the state of South Carolina, including the State Optional Retirement Program and the S.C. Deferred Compensation Program, as well as the state's employee insurance programs. As such, PEBA is responsible for administering the South Carolina Retirement Systems' five defined benefit pension plans. The Retirement Funding and Administration Act of 2017, which became effective July 1, 2017, increased the employer and employee contribution rates, established a ceiling on the SCRS and PORS employee contribution rates, lowered the assumed rate of return, required a scheduled reduction of the funding periods, and addressed various governance issues including the assignment of the PEBA Board as custodian of the retirement trust funds and assignment of the RSIC and PEBA as co- trustees of the assets of the retirement trust funds. By law, the State Fiscal Accountability Authority (SFAA), which consists of five elected officials, also reviews certain PEBA Board decisions regarding the actuary of the Systems.

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Systems and additions to/deductions from the Systems fiduciary net position have been determined on the accrual basis of accounting as they are reported by the Systems in accordance with generally accepted accounting principles (GAAP). For this purpose, revenues are recognized when earned and expenses are recognized when incurred. Benefit and refund expenses are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

PEBA issues and an Annual Comprehensive Financial Report (ACFR) containing financial statements and required supplementary information for the Systems' Pension Trust Funds. The ACFR is publicly available through the Retirement Benefits' link on PEBA's website at www.peba.sc.gov, or a copy may be obtained by submitting a request to PEBA, 202 Arbor Lake Drive, Columbia, SC 29223. PEBA is considered a division of the primary government of the state of South Carolina and therefore, retirement trust fund financial information is also included in the annual comprehensive financial report of the state.

Plan Descriptions

The South Carolina Retirement System (SCRS), a cost–sharing multiple-employer defined benefit pension plan, was established July 1, 1945, pursuant to the provisions of Section 9-1-20 of the South Carolina Code of Laws for the purpose of providing retirement and other benefits for teachers and employees of the state and its political subdivisions. SCRS covers employees of state agencies, public school districts, higher education institutions, other participating local subdivisions of government and individuals newly elected to the South Carolina General Assembly at or after the 2012 general election.

The State Optional Retirement Program (State ORP) is a defined contribution plan that is offered as an alternative to SCRS to certain newly hired employees of state agencies, institutions of higher education, public school districts and individuals first elected to the General Assembly at or after the general election in November 2012. State ORP participants direct the investment of their funds into an account administered by one of four third party service providers. PEBA assumes no liability for State ORP benefits. Rather, the benefits are the liability of the four third party service providers. For this reason, State ORP assets are not part of the retirement systems' trust funds for financial statement purposes.

The South Carolina Police Officers Retirement System (PORS), a cost–sharing multiple-employer defined benefit pension plan, was established July 1, 1962, pursuant to the provisions of Section 9-11-20 of the South Carolina Code of Laws for the purpose of providing retirement and other benefits to police officers and firefighters. PORS also covers peace officers, coroners, probate judges and magistrates.

In addition to the plans described above, PEBA also administers three single employer defined benefit pension plans, which are not covered in this report. They are the Retirement System for Members of the General Assembly of the State of South Carolina (GARS), the Retirement System for Judges and Solicitors of the State of South Carolina (JSRS), and the South Carolina National Guard Supplemental Retirement Plan (SCNG).

Membership

Membership requirements are prescribed in Title 9 of the South Carolina Code of Laws. A brief summary of the requirements under each system is presented below.

- SCRS - Generally, all employees of covered employers are required to participate in and contribute to the system as a condition of employment. This plan covers general employees and teachers and individuals newly elected to the South Carolina General Assembly beginning with the November 2012 general election. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

- State ORP - As an alternative to membership in SCRS, newly hired state, public school, and higher education employees and individuals newly elected to the S.C. General Assembly beginning with the November 2012 general election have the option to participate in the State ORP. Contributions to the State ORP are at the same rates as SCRS. A direct remittance is required from the employer to the member's account with the ORP vendor for the employee contribution and a portion of the employer contribution (5 percent). A direct remittance is also required to SCRS for the remaining portion of the employer contribution and an incidental death benefit contribution, if applicable, which is retained by SCRS.

- PORS - To be eligible for PORS membership, an employee must be required by the terms of his employment, by election or appointment, to preserve public order, protect life and property, and detect crimes in the state; to prevent and control property destruction by fire; or to serve as a peace officer employed by the Department of Corrections, the Department of Juvenile Justice, or the Department of Mental Health. Probate judges and coroners may elect membership in PORS. Magistrates are required to participate in PORS for service as a magistrate. PORS members, other than magistrates and probate judges, must also earn at least $2,000 per year and devote at least 1,600 hours per year to this work, unless exempted by statute. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

Benefits

Benefit terms are prescribed in Title 9 of the South Carolina Code of Laws. PEBA does not have the authority to establish or amend benefit terms without a legislative change in the code of laws. Key elements of the benefit calculation include the benefit multiplier, years of service, and average final compensation/current annual salary. A brief summary of the benefit terms for each system is presented below.

- SCRS - A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 65 or with 28 years credited service regardless of age. A member may elect early retirement with reduced pension benefits payable at age 55 with 25 years of service credit. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension upon satisfying the Rule of 90 requirement that the total of the member's age and the member's creditable service equals at least 90 years. Both Class Two and Class Three members are eligible to receive a reduced deferred annuity at age 60 if they satisfy the five- or eight-year earned service requirement, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program.

  The annual retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase. Members who retire under the early retirement provisions at age 55 with 25 years of service are not eligible for the benefit adjustment until the second July 1 after reaching age 60 or the second July 1 after the date they would have had 28 years of service credit had they not retired.

- PORS - A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 55 or with 25 years of service regardless of age. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension at age 55 or with 27 years of service regardless of age. Both Class Two and Class Three members are eligible to receive a deferred annuity at age 55 with five or eight years of earned service, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program. Accidental death benefits are also provided upon the death of an active member working for a covered employer whose death was a natural and proximate result of an injury incurred while in the performance of duty.

  The retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase.

Contributions

Actuarial valuations are performed annually by an external consulting actuary to ensure applicable contribution rates satisfy the funding parameters specified in Title 9 of the South Carolina Code of Laws. Under these provisions, SCRS and PORS contribution requirements must be sufficient to maintain an amortization period for the financing of the unfunded actuarial accrued liability (UAAL) over a period that does not exceed the number of years scheduled in state statute. Legislation in 2017 increased, but also established a ceiling for SCRS and PORS employee contribution rates. Effective July 1, 2017, employee rates were increased to a capped rate of 9.00 percent for SCRS and 9.75 percent for PORS. The legislation also increased employer contribution rates beginning July 1, 2017 for both SCRS and PORS by two percentage points and further scheduled employer contribution rates to increase by a minimum of one percentage point each year in accordance with state statute. However, the General Assembly postponed the one percent increase in the SCRS and PORS employer contribution rates that was scheduled to go into effect beginning July 1, 2020. If the scheduled contributions are not sufficient to meet the funding periods set in state statute, the board shall increase the employer contribution rates as necessary to meet the funding periods set for the applicable year. The maximum funding period of SCRS and PORS is scheduled to be reduced over a ten-year schedule from 30 years beginning fiscal year 2018 to 20 years by fiscal year 2028.

Additionally, the Board is prohibited from decreasing the SCRS and PORS contribution rates until the funded ratio is at least 85 percent. If the most recent annual actuarial valuation of the Systems for funding purposes shows a ratio of the actuarial value of system assets to the actuarial accrued liability of the system (the funded ratio) that is equal to or greater than 85 percent, then the board, effective on the following July first, may decrease the then current contribution rates upon making a finding that the decrease will not result in a funded ratio of less than 85 percent. If contribution rates are decreased pursuant to this provision, and the most recent annual actuarial valuation of the system shows a funded ratio of less than 85 percent, then effective on the following July first, and annually thereafter as necessary, the board shall increase the then current contribution rates until a subsequent annual actuarial valuation of the system shows a funded ratio that is equal to or greater than 85 percent.

Required employee contribution rates[1] are as follows:

	Fiscal Year 2021	Fiscal Year 2020
SCRS		
Employee Class Two	9.00%	9.00%
Employee Class Three	9.00%	9.00%
State ORP		
Employee	9.00%	9.00%
PORS		
Employee Class Two	9.75%	9.75%
Employee Class Three	9.75%	9.75%

Required employer contribution rates[1] are as follows:

	Fiscal Year 2021	Fiscal Year 2020
SCRS		
Employer Class Two	15.41%	15.41%
Employer Class Three	15.41%	15.41%
Employer Incidental Death Benefit	0.15%	0.15%
State ORP		
Employer Contribution[2]	15.41%	15.41%
Employer Incidental Death Benefit	0.15%	0.15%
PORS		
Employer Class Two	17.84%	17.84%
Employer Class Three	17.84%	17.84%
Employer Incidental Death Benefit	0.20%	0.20%
Employer Accidental Death Program	0.20%	0.20%

1. Calculated on earnable compensation as defined in Title 9 of the South Carolina Code of Laws.
2. Of this employer contribution, 5% of earnable compensation must be remitted by the employer directly to the ORP vendor to be allocated to the member's account with the remainder of the employer contribution remitted to the SCRS.

Actuarial Assumptions and Methods

Actuarial valuations of the plan involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. An experience report on the Systems was most recently issued for the period ending June 30, 2019 for first use in the July 1, 2021 actuarial valuation.

The measurement date for reporting the Department's net pension liability at June 30, 2021 is June 30, 2020. The June 30, 2020, total pension liability (TPL), net pension liability (NPL), and sensitivity information shown in this report were determined by the consulting actuary, Gabriel, Roeder, Smith and Company (GRS) and are based on an actuarial valuation performed as of July 1, 2019. The total pension liability was rolled-forward from the valuation date to the plans' fiscal year end, June 30, 2020, using generally accepted actuarial principles.

The following table provides a summary of the actuarial assumptions and methods used to calculate the TPL as of June 30, 2020.

	SCRS	PORS
Actuarial cost method	Entry age normal	Entry age normal
Investment rate of return[1]	7.25%	7.25%
Projected salary increases	3.0% to 12.5%(varies by service)[1]	3.5% to 9.5% (varies by service)[1]
Benefit adjustments	lesser of 1% or $500 annually	lesser of 1% or $500 annually
[1]*Includes inflation at 2.25%*		

The post-retiree mortality assumption is dependent upon the member's job category and gender. The base mortality assumptions, the 2016 Public Retirees of South Carolina Mortality table (2016 PRSC), was developed using the Systems' mortality experience. These base rates are adjusted for future improvement in mortality using published Scale AA projected from the year 2016.

Assumptions used in the determination of the June 30, 2020, TPL are as follows.

Former Job Class	Males	Females
Educators	2016 PRSC Males multiplied by 92%	2016 PRSC Females multiplied by 98%
General Employees and Members of the General Assembly	2016 PRSC Males multiplied by 100%	2016 PRSC Females multiplied by 111%
Public Safety and Firefighters	2016 PRSC Males multiplied by 125%	2016 PRSC Females multiplied by 111%

Net Pension Liability

The NPL is calculated separately for each system and represents that particular system's TPL determined in accordance with GASB No. 67 less that System's fiduciary net position. The Department's proportional share of the State's NPL totals, as of June 30, 2020 (reported at June 30, 2021), for SCRS and PORS are presented below.

Proportional Share of Net Pension Liability
(in Thousands)

System	Total Pension Liability	Plan Fiduciary Net Position	Department's Net Pension Liability (Asset)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
SCRS	$ 914,257	$ 463,659	$ 450,598	50.7%
PORS	2,273	1,336	937	58.8%
Total	$ 916,530	$ 464,995	$ 451,535	

The TPL is calculated by the Systems' actuary, and each plan's fiduciary net position is reported in the Systems' financial statements. The NPL is disclosed in accordance with the requirements of GASB 67 in the Systems' notes to the financial statements and required supplementary information. Liability calculations performed by the Systems' actuary for the purpose of satisfying the requirements of GASB Nos. 67 and 68 are not applicable for other purposes, such as determining the plans' funding requirements.

The Department's proportionate share of the net pension liability for both SCRS and PORS is as follows for the years ended June 30, 2020 and 2021:

System	June 30, 2021	June 30, 2020	Change
SCRS	1.763471%	1.818703%	-0.055232%
PORS	0.028244%	0.026750%	0.001494%

The Department's change in proportionate share of the net pension liability and related deferred inflows and outflows of resources will be amortized into pension expense over the respective average remaining service lives of each system.

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments is based upon 20 year capital market assumptions. The long-term expected rate of returns represent assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market based inputs. Expected returns are net of investment fees.

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2020 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation and is summarized in the table below. For actuarial purposes, the 7.25 percent assumed annual investment rate of return used in the calculation of the TPL includes a 5.00 percent real rate of return and a 2.25 percent inflation component.

Allocation/Exposure	Policy Target	Expected Arithmetic Real Rate of Return	Long Term Expected Portfolio Real Rate of Return
Global Equity	**51.0%**		
Global Public Equity	35.0%	7.81%	2.73%
Private Equity	9.0%	8.91%	0.80%
Equity Options Strategies	7.0%	5.09%	0.36%
Real Assets	**12.0%**		
Real Estate (Private)	8.0%	5.55%	0.44%
Real Estate (REITs)	1.0%	7.78%	0.08%
Infrastructure (Private)	2.0%	4.88%	0.10%
Infrastructure (Public)	1.0%	7.05%	0.07%
Opportunistic	**8.0%**		
Global Tactical Asset Allocation	7.0%	3.56%	0.25%
Other Opportunistic Strategies	1.0%	4.41%	0.04%
Credit	**15.0%**		
High Yield Bonds/Bank Loans	4.0%	4.21%	0.17%
Emerging Markets Debt	4.0%	3.44%	0.14%
Private Debt	7.0%	5.79%	0.40%
Rate Sensitive	**14.0%**		
Core Fixed Income	13.0%	1.60%	0.21%
Cash and Short Duration (Net)	1.0%	0.56%	0.01%
Total Expected Real Return	100%		5.80%
Inflation for Actuarial Purposes			2.25%
Total Expected Nominal Return			8.05%

Discount Rate

The discount rate used to measure the TPL was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS and PORS will be made based on the actuarially determined rates based on provisions in the South Carolina Code of Laws. Based on those assumptions, the System's fiduciary net position was projected to be available to make all the projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL.

Sensitivity Analysis

The following table presents the collective NPL of the Department calculated using the discount rate of 7.25 percent, as well as what the employers' NPL would be if it were calculated using a discount rate that is 1.00 percent lower (6.25 percent) or 1.00 percent higher (8.25 percent) than the current rate.

Sensitivity of the Proportional Share of Net Pension Liability to Changes in the Discount Rate

(In Thousands)

System	1.00% Decrease (6.25%)	Current Discount Rate (7.25%)	1.00% Increase (8.25%)
SCRS	$ 558,461	$ 450,598	$ 360,531
PORS	$ 1,240	$ 937	$ 693

Additional Financial and Actuarial Information

Information contained in these Notes to the Schedules of Employer and Nonemployer Allocations and Schedules of Pension Amounts by Employer (Schedules) was compiled from the Systems' audited financial statements for the fiscal year ended June 30, 2020, and the accounting valuation report as of June 30, 2020. Additional financial information supporting the preparation of the Schedules (including the unmodified audit opinion on the financial statements and required supplementary information) is available in the Systems' ACFR.

Deferred Outflows (Inflows) of Resources Related to Pensions

For the year ended June 30, 2021, the Department recognized pension expense of $39.2 million. At June 30, 2021, the Department reported deferred outflows (inflows) of resources related to pensions from the following sources:

(In Thousands)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 28,451	$ -
Change in proportionate share of net pension liability and differences in actual and proportionate share of employer contributions	192	22,289
Assumption changes	564	-
Differences in actual and expected experience	5,219	1,708
Net differences between projected and actual earnings on plan investments	33,241	-
	$ 67,667	$ 23,997

The Department reported approximately $28.5 million as deferred outflows of resources related to contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows (inflows) of resources will be recognized in pension expense in future years.

The following schedule reflects the amortization of the Department's proportional share of the net balance of remaining deferred outflows (inflows) of resources at June 30, 2021. Average remaining services lives of all employees provided with pensions through the pension plans at June 30, 2021 was 3.984 years for SCRS and 4.176 years for PORS.

(In Thousands)

Measurement Period Ending June 30,	Fiscal Year Ending June 30,	SCRS	PORS	Total
2021	2022	$ (5,150)	$ 53	$ (5,097)
2022	2023	3,341	54	3,395
2023	2024	8,394	42	8,436
2024	2025	8,458	27	8,485
Net Balance of Deferred Outflows / Inflows of Resources		$ 15,043	$ 176	$ 15,219

NOTE 13. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS:

Plan Description

The Other Post-Employment Benefits Trust Funds (OPEB Trusts), refers to the South Carolina Retiree Health Insurance Trust Fund (SCRHITF) established by the State of South Carolina as Act 195, which became effective in May, 2008. The SCRHITF was created to fund and account for the employer costs of the State's retiree health and dental plans.

In accordance with Act 195, the OPEB Trust is administered by the PEBA – Insurance Benefits and the State Treasurer is the custodian of the funds held in trust. The Board of Directors of PEBA has been designated as the Trustee.

The OPEB Trust is a cost-sharing multiple-employer defined benefit OPEB plan. Article 5 of the State Code of Laws defines the plan and authorizes the Trustee to at any time adjust the plan, including its benefits and contributions, as necessary to insure the fiscal stability of the plans. In accordance with the South Carolina Code of Laws and the annual Appropriations Act, the State provides post-employment health and dental and long-term disability benefits to retired State and school district employees and their covered dependents.

Benefits

The SCRHITF is a healthcare plan that covers retired employees of the State of South Carolina, including all agencies, and public school districts. The SCRHITF provides health and dental insurance benefits to eligible retirees. Generally, retirees are eligible for the health and dental benefits if they have established at least ten years of retirement service credit. For new hires beginning employment May 2, 2008 and after, retirees are eligible for benefits if they have established 25 years of service for 100% employer funding and 15-24 years of service for 50% employer funding.

Contributions and Funding Policies

Section 1-11-710 of the South Carolina Code of Laws of 1976, as amended, requires the postemployment and long-term disability benefits to be funded through non-employer and employer contributions for active employees and retirees to the PEBA – Insurance Benefits. Non-employer contributions consist of an annual appropriation by the General Assembly and the statutorily required transfer from PEBA – Insurance Benefits reserves.

The SCRHITF is funded through participating employers that are mandated by State statute to contribute at a rate assessed each year by the Department of Administration Executive Budget Office on active employee covered payroll. The covered payroll surcharge for the year ended June 30, 2021 was 6.25 percent. The South Carolina Retirement System collects the monthly covered payroll surcharge for all participating employers and remits it directly to the SCRHITF. Other sources of funding for the SCRHITF also include the implicit subsidy, or age-related subsidy inherent in the healthcare premiums structure. The implicit subsidy represents a portion of the health care expenditures paid on behalf of the employer's active employees. For purposes of GASB Statement No. 75, this expenditure on behalf of the active employee is reclassified as a retiree health care expenditure so that the employer's contributions towards the plan reflect the underlying age- adjusted, retiree benefit costs. Non-employer contributions include the mandatory transfer of accumulated PEBA – Insurance Benefits' reserves and the annual appropriation budgeted by the General Assembly. It is also funded through investment income. During the year ended June 30, 2021, the Department contributed $11.5 million to the SCRHITF.

In accordance with part (b) of paragraph 69 of GASB Statement No. 75, participating employers should recognize revenue in an amount equal to the employer's proportionate share of the change in the collective net OPEB liability arising from contributions to the OPEB plan during the measurement period from non-employer contributing entities for purposes other than the separate financing of specific liabilities to the OPEB plan. Therefore, employers should classify this revenue in the same manner as it classifies grants from other entities.

For purposes of measuring the net OPEB liability, deferred outflows and inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB Trust, and additions to and deductions from the OPEB Trust fiduciary net position have been determined on the same basis as they were reported by the OPEB Trust. For this purpose, revenues are recognized when earned and expenses are recognized when incurred. Therefore, benefit and administrative expenses are recognized when due and payable. Investments are reported at fair value.

PEBA – Insurance Benefits issues audited financial statements and required supplementary information for the OPEB Trust Funds. This information is publicly available through the PEBA – Insurance Benefits' link on PEBA's website at www.peba.sc.gov or a copy may be obtained by submitting a request to PEBA – Insurance Benefits, 202 Arbor Lake Drive, Columbia, SC 29223. PEBA is considered a division of the primary government of the state of South Carolina and therefore, OPEB Trust fund financial information is also included in the annual comprehensive financial report of the state.

Actuarial Assumptions and Methods

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plans (as understood by the employer and plan participants) and include the types of benefits provided at the time the valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point.

Additional information as of the latest actuarial valuation for SCRHITF:

Valuation Date:	June 30, 2019
Actuarial Cost Method:	Entry Age Normal
Inflation:	2.25%
Investment Rate of Return:	2.75%, net of OPEB Plan investment expense; including inflation
Single Discount Rate:	2.45% as of June 30, 2020
Demographic Assumptions:	Based on the experience study performed for the South Carolina Retirement Systems for the 5-year period ending June 30, 2015
Mortality:	For healthy retirees, the 2016 Public Retirees of South Carolina Mortality Table for Males and the 2016 Public Retirees of South Carolina Mortality Table for Females are used with fully generational mortality projections based on Scale AA from the year 2016. Multipliers are applied to the base tables based on gender and employment type.
Health Care Trend Rate:	Initial trend starting at 6.40% and gradually decreasing to an ultimate trend rate of 4.00% over a period of 15 years
Retiree Participation:	79% for retirees who are eligible for funded premiums; 59% participation for retirees who are eligible for Partial Funded Premiums; 20% participation for retirees who are eligible for Non-Funded Premiums
Notes:	The discount rate changed from 3.13% as of June 30, 2019 to 2.45% as of June 30, 2020; updates were also made to the healthcare trend rate assumption, including an assumption to reflect the repeal the "Cadillac Tax"

Roll Forward Disclosures

The actuarial valuation were performed as of June 30, 2019. Update procedures were used to roll forward the total OPEB liability to June 30, 2020, the Department's measurement date.

Net OPEB Liability

The Net OPEB Liability (NOL) is calculated for the OPEB Trust Fund and represents the Trust's Total OPEB Liability (TOL) determined in accordance with GASB No. 74 less fiduciary net position. The allocation of each employer's proportionate share of the collective Net OPEB Liability and collective OPEB Expense was determined using the employer's payroll-related contributions over the measurement period. This method is expected to be reflective of the employer's long-term contribution effort as well as be transparent to individual employers and their external auditors.

The following table represents the components of the Departments proportional share of the net OPEB liability as of June 30, 2020:

Proportional Share of Net OPEB Liability

(In Thousands)

Fiscal Year Ending	System	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
June 30, 2020	SCRHITF	$ 425,668	$ 35,695	$ 389,973	8.39%

The TOL is calculated by the Trusts' actuary, and each Trust's fiduciary net position is reported in the Trust's financial statements. The NOL is disclosed in accordance with the requirements of GASB No. 74 in the Trusts' notes to the financial statements and required supplementary information. Liability calculations performed by the Trusts' actuary for the purpose of satisfying the requirements of GASB Nos. 74 and 75 and are not applicable for other purposes, such as determining the Trusts' funding requirements.

At June 30, 2021, the Department reported a liability of $389.9 million for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2019, and rolled forward to June 30, 2020. The Department's proportion of the net OPEB liability was based on a projection of the Department's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2021, the Department's proportion was 2.160344%, a decrease of 0.061576% from the Department's proportion at the prior measurement date.

Single Discount Rate

The Single Discount Rate of 2.45% was used to measure the total OPEB liability for the SCRHITF. The accounting policy for this plan is to set the Single Discount Rate equal to the prevailing municipal bond rate, the Fidelity 20-Year Municipal GO AA Index of June 30, 2020. Due to the plan's investment and funding policies, the difference between a blended discount rate and the municipal bond rate would be less than several basis points (several hundredths of one percent).

Long-term Expected Rate of Return

The long-term expected rate of return represents assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market based inputs. The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2018 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation.

This information is summarized in the following table:

Asset Class	Target Asset Allocation	Expected Arithmetic Real Rate of Return	Allocation-Weighted Long-Term Expected Real Rate of Return
U.S. Domestic Fixed Income	80.0%	0.60%	0.48%
Cash equivalents	20.0%	0.35%	0.07%
Total	100.0%		0.55%
Expected Inflation			2.25%
Total Return			2.80%
Investment Return Assumption			2.75%

Sensitivity Analysis

The following table presents the SCRHITF's net OPEB liability calculated using a Single Discount Rate of 2.45%, as well as what the plan's net OPEB liability would be if it were calculated using a Single Discount Rate that is one percent lower or one percent higher:

Sensitivity of the Proportional Share of Net OPEB Liability to Changes in the Single Discount Rate			
OPEB Trust	**1.00% Decrease (1.45%)**	**Current Discount Rate (2.45%)**	**1.00% Increase (3.45%)**
SCRHITF	$ 465,317	$ 389,973	$ 329,769

Regarding the sensitivity of the SCRHITF's net OPEB liability to changes in the healthcare cost trend rates, the following table presents the plan's net OPEB liability, calculated using the assumed trend rates as well as what the plan's net OPEB liability would be if were calculated using a trend rate that is one percent lower or one percent higher:

Sensitivity of the Proportional Share of Net OPEB Liability to Changes in Healthcare Cost Trend Rate			
OPEB Trust	**1.00% Decrease**	**Current Healthcare Cost Trend Rate**	**1.00% Increase**
SCRHITF	$ 315,646	$ 389,973	$ 487,587

OPEB Expense and Deferred Outflows and Inflows of Resources

For the year ended June 30, 2021, the Department recognized OPEB expense of $23.3 million. At June 30, 2021, the Department reported deferred outflows and inflows of resources related to OPEB from the following sources:

(In Thousands)

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	$ 11,515	$ -
Net differences between projected and actual experience	11,153	8,881
Assumption Changes	58,033	15,531
Net difference between projected and actual investment experience	-	909
Change in proportionate share of net OPEB liability and differences in actual and proportionate share of employer contributions	-	25,381
	$ 80,701	$ 50,702

Contributions subsequent to the measurement date of $11.5 million were reported as deferred outflows of resources related to OPEB and will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows. Average remaining services lives of all employees provided with OPEB through the June 30, 2020 was 7.203 years for SCRHITF:

(In Thousands)

Measurement Period Ending June 30,	Fiscal Year Ending June 30,	SCRHITF
2021	2022	$ 474
2022	2023	348
2023	2024	149
2024	2025	3,605
2025	2026	6,473
Thereafter		7,435
		$ 18,484

NOTE 14. DEFERRED COMPENSATION PLANS:

Several optional deferred compensation plans are available to State employees and employers of its political subdivisions. Certain employees of the Department have elected to participate. The multiple-employer plans, created under Internal Revenue Code Section 457, 401(k), 403(b), and Roth 401(k) are administered by third parties and are not included in the ACFR of the State of South Carolina. Compensation deferred under the plans is placed in trust for the contributing employee.

The State has no liability for losses under the plans. Employees may withdraw the current value of their contributions when they terminate State employment. Employees may also withdraw contributions prior to termination if they meet requirements specified by the applicable plan. The Department has not made any contributions to these plans.

NOTE 15. TRANSACTIONS WITH STATE ENTITIES / RELATED PARTIES:

The Department has significant transactions with the State and various State agencies. The Department purchases goods and services from various State agencies. Total purchases from State agencies were approximately $29.3 million for the year ended June 30, 2021. The Department sells supply items and provides services for various State agencies. Total sales to State agencies were approximately $2 million for the year ended June 30, 2021.

The gasoline user fees, special fuels user fees and max sales taxes are collected by the South Carolina Department of Revenue (DOR) and remitted on a monthly basis. The user fees and sales taxes collected by DOR for the Department amounted to $736.7 million, net of transfers for IFTA, for the year ended June 30, 2021, of which $127.8 million was accrued as a receivable at June 30, 2021. Gasoline user fees revenues collected by DOR for the County Transportation Committees Fund amounted to $99 million for the year ended June 30, 2021. The Department transferred $17.7 million from the Infrastructure Maintenance Trust Fund to the County Transportation Committees Fund. The Infrastructure Maintenance Trust Fund received $62 million of unclaimed tax credit from the Department of Revenue and as required by SC Code Section 12-6-3780 and subsequently transferred $4 million to the Department of Revenue for the tax year 2020 income tax credit.

The Department participates in the International Fuel Tax Agreement (IFTA) program. This program is an agreement between the lower 48 states of the United States and the Canadian provinces, to simplify the reporting of fuel use by motor carriers that operate in more than one jurisdiction. Alaska, Hawaii, and the Canadian territories do not participate. An operating carrier with IFTA receives an IFTA license and two decals for each qualifying vehicle it operates. The carrier files a quarterly fuel tax report. This report is used to determine the net tax or refund due and to redistribute taxes from collecting states to states that it is due. This tax is required for motor vehicles used, designed, or maintained for transportation of persons or property and:

- Having two axles and a gross vehicle weight rating or registered gross vehicle weight in excess of 26,000 pounds, and/or

- Having three or more axles regardless of weight, and/or

- Is used in combination, when the weight of such combination exceeds 26,000 pounds gross vehicle or registered gross vehicleweight.

Exceptions exist for Recreational Vehicles (such as motor homes, pickup trucks with attached campers, and buses when used exclusively for personal pleasure by an individual). Some states have their own exemptions that often apply to farm vehicles or government vehicles. Additional information about the IFTA can be found at http://www.iftach.org/.

The calculation of net amount owed or due is performed by this central organization. This calculation has historically resulted in a net amount due from the Department to the central organization. The Department remitted $16.5 million of fuel oil user fee revenue to the South Carolina Department of Motor Vehicles ("DMV") in fiscal year 2021 for the IFTA calculation. The DMV then remits that amount to the central IFTA organization for redistribution to other member states. The Department remitted $17.1 million in FY 2020 for the same calculation.

Services received at no cost from the various state agencies, personnel management, assistance in the preparation of the State Budget, review and approval of certain budget amendments, procurement services, and other centralized functions.

Significant payments were made to other state agencies for retirement plan contributions and health insurance premiums, insurance coverage, office supplies, printing, telephone, and inter-agency mail. The amounts of expenditures applicable to related party transactions are not readily available.

Workers' compensation insurance premiums for the fiscal year 2021 of $7.1 million were paid to the State Accident Fund and $9 thousand was paid for Unemployment Insurance, to the South Carolina Unemployment Trust Fund. The Department provided no material services free of charge to other State agencies during the fiscal year. See Note 9 regarding transactions resulting from intergovernmental agreements entered into by the Department, the Bank, and other local governments. The Department provided the Bank administrative services, clerical assistance, and project oversight during fiscal year 2021 for which it was paid $393 thousand. The Bank also reimbursed the Department $4.6 million in direct project costs. Allocations to other entities - State agency represented amounts paid to the Bank and totaled $27 million for the year ended June 30, 2021. The payments represent an amount not to exceed the one cent per gallon collected in accordance with Section 11-43-160 of the Code for the on-going funding of construction and maintenance of highways.

The Department received $10 million from the Bank in accordance with a 2009 contractual agreement between Horry County, the Bank, and the Department. This amount has been recorded as unearned revenue as the $10 million must be spent on specific infrastructure projects. Eligible costs of $3.7 million have been incurred and $6.3 million are remaining.

Additionally, the Bank makes quarterly payments to the Department, and the Department makes monthly payments to the Bank in accordance with an agreement between Horry County, the Bank, and the Department. In the agreement, the Department was assigned the payments originally assigned to Horry County in order to guard against Horry County defaulting on their project loans with the Bank. The amount paid to and received from the Bank was $4.7 million for the year ended June 30, 2021.

A summary of intergovernmental payables to other State agencies in the governmental fund balance sheet at June 30, 2021 is as follows:

(In Thousands)

Due To / Description		
Comptroller General	$	9
Department of Motor Vehicles		21
Department of Public Safety		183
Health & Environmental Control Dept		4
Ports Authority		51
Retirement System		2
State Infrastructure Bank		905
SFAA Administration		5
	$	1,180

NOTE 16. FEDERAL GRANTS:

The Department has grants and reimbursable contracts with the Federal government and the South Carolina Emergency Management Division (SCEMD) for the funding of costs related to the programs described in the grants. These funds are subject to audit and/or adjustment by the various funding sources. The Department does not expect any significant impact should grantors audit and/or adjust reimbursement amounts.

NOTE 17. RISK MANAGEMENT:

The Department is exposed to various risks of loss and maintains State or commercial insurance coverage for each of those risks. Management believes such coverage is sufficient to preclude any significant uninsured losses for the covered risks. There were no significant reductions in insurance coverage from that carried in the prior year. Settled claims have not exceeded this coverage in the prior three years. The Department pays insurance premiums to certain other State agencies and commercial insurers to cover risks that may occur in normal operations. The insurers promise to pay to or on behalf of the insured for covered economic losses sustained during the policy period in accord with insurance policy and benefit program limits except for deductibles.

Several State funds accumulate assets and the State itself assumes substantially all risks for the following:

1. Claims of State employees for unemployment compensation benefits (Department of Employment and Workforce);
2. Claims of covered employees for workers' compensation benefits for job-related illnesses or injuries (State Accident Fund);
3. Claims of covered public employees for health and dental insurance benefits (Public Employee Benefit Authority – Insurance Benefits);and

4. Claims of covered public employees for long-term disability and group-life insurance benefits (Public Employee Benefit Authority – Insurance Benefits).

The State offers two self-insured health plans and a Tricare Supplemental plan to qualified employees. Additionally, all other coverages (such as dental, vision, life and long-term disability) are extended through the State's insurance offerings with premiums being remitted to the PEBA.

The Department and other entities pay premiums to the State's Insurance Reserve Fund (IRF), which issues policies, accumulates assets to cover the risks of loss, and pays claims incurred for covered losses related to the following assets, activities, and/or events:

Theft of, damage to, or destruction of assets
Data processing equipment
Motor Vehicles
Business Interruptions
Real property and contents
Torts
Medical malpractice claims against covered employee for nurse

The IRF is a self-insurer and purchases reinsurance to obtain certain services and specialized coverage and to limit losses in the areas of certain property and equipment and auto liability. Reinsurance permits partial recovery of losses from re-insurers, but the IRF remains primarily liable. The IRF's rates are determined actuarially. State agencies and other entities are the primary participants in the State's Health and Disability Insurance Fund and IRF.

The Department self-insures itself for any losses because it feels the likelihood of losses is remote. The Department has not transferred the portion of the risk of loss related to insurance policy deductibles and limits for capital assets and fidelity overages to a State or commercial insurer.

The Department has not reported an estimated claims loss expenditure, and the related liability at June 30, 2021, based on the requirements of GASB Statement No. 10 and No. 30 which state that a liability for claims must be reported only if information prior to issuance of the financial statements indicates that it is probable that an asset has been impaired or a liability has been incurred on or before June 30, 2021, and the amount of the loss is reasonably estimable. Liabilities include an amount for incurred but not reported (IBNR) losses when it is probable a claim will be asserted. Claims liabilities when recorded are based on estimates of the ultimate cost of settling known but not paid claims and IBNR claims at June 30 using past experience adjusted for factors that would modify past experience.

In management's opinion, claims losses in excess of insurance coverage are unlikely and, if incurred, would be insignificant to the Department's financial position. Furthermore, there is no evidence of asset impairment or other information to indicate that a loss expenditure and liability should be recorded and, therefore, no loss accrual has been recorded.

NOTE 18. CONTINGENCIES AND SUBSEQUENT EVENTS:

CONTINGENCIES:

The Department is a defendant in various lawsuits arising from the conduct of its normal business primarily regarding rights-of-way. Although any litigation has an element of uncertainty, it is management's and legal counsel's opinions that the outcome of any litigation pending or threatened, or the combination thereof, will not have a materially adverse effect on the financial position of the Department.

A claim for project delay was filed against the Department in the amount of $69 million. The Department is in the process of assessing the claim documentation and a reasonable estimate of any contingent loss is not yet available at this time.

The COVID-19 pandemic has created unprecedented challenges for government, businesses, communities, and families. During this unparalleled event, the Department's mission remains clear: to build and maintain roads and bridges and provide mass transit across the state. Amid the coronavirus pandemic, revenues have decreased and the Department is tracking actual performance of the revenues and expenditures to align project lettings and authorizations to revenues received, protecting liquidity for a second wave of the virus (or other shocks). The Department has prepared financially for the current fiscal year (2021- 2022) by cutting 11% of the internal operating budget, which affects administrative items (supplies, travel, training, etc.), not road and bridge projects.

On December 27, 2020, the Coronavirus Response and Relief Supplemental Appropriation Act of 2021 was signed into law. The Department was notified on January 15, 2021 that it was apportioned approximately $166 million for highway infrastructure. There have been no expenditures as of June 30, 2021. The department has allocated the funds in fiscal year 2022.

NOTE 19. COMPONENT UNIT DISCLOSURES

NOTE 19A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Association is a South Carolina nonprofit corporation organized as a "public benefit corporation" under the South Carolina Nonprofit Corporation Act of 1994. The Articles of Incorporation of the Association were originally filed with the South Carolina Secretary of State on January 12, 1996, and were amended by a filing on March 5, 1997. The Internal Revenue Service has issued a letter dated October 20, 1997, determining that the Association is an exempt organization that is not a private foundation under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. The Association was formed to assist the Department in the financing, acquisition, construction, and operation of turnpikes, highway projects, and other transportation facilities.

The Association's operations are governed by a license agreement (the Original License Agreement as amended, the "Revised License Agreement") with the Department that granted the Association rights and obligations to finance, acquire, construct, and operate an approximately 16 mile fully controlled access toll highway (the "Southern Connector"). The Association originally financed construction of the Southern Connector by issuing toll road revenue bonds in 1998. In 2011, in connection with implementation of its Debt Adjustment Plan pursuant to its Chapter 9 Bankruptcy case, the Association exchanged its 1998 Bonds for new toll road revenue bonds (the "2011 Bonds"). The Association's Debt Adjustment Plan encompasses a First Amended and Restated Master Indenture of Trust and a First Supplemental Indenture of Trust (collectively, the "Amended Trust Indenture") and the Revised License Agreement, all of which became effective April 21, 2011. Following a mandatory exchange (subject to Bondholder opt out of the exchange) of certain of its 2011 Pro-Rata Term bonds for 2011 By-Lot Term Bonds and payment of outstanding issuance costs of the 2011 Bonds, the Association's bankruptcy proceedings were finalized on August 27, 2012, when the United States Bankruptcy Court issued the Final Decree closing the Association's Bankruptcy case.

The State of South Carolina Office of Comptroller General has determined that the Association is a component unit of the State of South Carolina and of the Department because of its fiscal dependence upon the Department. The Association is governed by a Board of Directors, the members of which are subject to approval of the Department.

The financial statements of the Association have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"). For the purpose of applying GAAP, the Association's management has determined that the Association should be treated as a governmental entity. The GASB, which has jurisdiction over accounting and financial reporting standards applicable to governmental entities, and the Financial Accounting Standards Board ("FASB"), which has jurisdiction over such standards applicable to nongovernmental entities, have agreed on a definition of a governmental entity that is to be used when determining whether governmental GAAP is applicable. Since (a) the Association is a public benefit corporation, (b) the members of the Association's Board of Directors are subject to the approval of the Department, and (c) upon dissolution of the Association, all of the Association's net position will revert to the Department, the Association meets the criteria set forth in the definition of a governmental entity. Accordingly, the accompanying financial statements of the Association have been prepared in accordance with GAAP applicable to governmental unit proprietary funds.

The Association has no component units.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Association is a proprietary fund type and operates as an enterprise fund. The Association uses the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises — where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis are to be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Cash and Cash Equivalents

The Association considers all investment with maturities of three months or less when purchased to be cash equivalents. The amount shown in the financial statements as "cash and cash equivalents" of the Association represent cash on hand, deposits in banks, and funds invested in open ended money market mutual funds.

Investments

The Association's Trust Indenture contains provisions requiring all bond proceeds and toll revenues received by the Association to be held in trust. Such monies held in the 2011 Trust Fund Accounts are expended in accordance with Trust Indenture guidelines. All monies held in the 2011 Trust Fund Accounts that are not insured by the FDIC must be secured by and/or invested in investment securities as defined in the Trust Indenture. Investment securities include, but are not limited to, direct obligations of, or obligations guaranteed by, the United States of America or an agency thereof.

The Association's investments are stated at fair value and categorized within the fair value hierarchy established under GASBS No. 72. For short-term, highly liquid instruments that have a remaining maturity of one year or less at the time of purchase, such as the Association's 2016 United States Treasury Note, the investments' fair value is generally equivalent to amortized cost. The fair value hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. Gains or losses that result from changes in fair value are included in nonoperating revenues or expenses.

Capital Assets

All capital and intangible assets, including the Association's intangible interest in its License Agreement with the Department, are stated at cost or at acquisition value at the time of donation. The Association generally follows capitalization policies recommended by the State Comptroller General.

Pursuant to this policy, equipment and vehicles with individual or group costs greater than $5 thousand and intangible assets (including software) with costs generally in excess of $100 thousand are capitalized. Equipment and vehicle depreciation is computed using the straight-line method over the equipment's estimated useful life between four and ten years, or the vehicle's estimated useful life of five years. The Association's intangible software is amortized over three to five years. The Association's intangible interest in its License Agreement with the Department through its expiration in 2051 on a straight-line basis. When capital assets are disposed of, the cost and accumulated depreciation/amortization are removed from the books. The resulting gain or loss is included in nonoperating revenues or expenses.

Bonds Payable, Bond Discounts, Bond Premiums and Bond Issuance Costs

The current and noncurrent portions of bonds payable are recorded as liabilities in the accompanying Statement of Net Position. Bond issuance costs, excluding those related to prepaid insurance costs, are expensed as incurred.

Interest in License Agreement with the Department

Upon confirmation by the Bankruptcy Court of and as a means of implementing the Association's Debt Adjustment Plan, the Association entered into a revised License Agreement with the Department, which became effective April 21, 2011. The revised License Agreement specifies that any terms of the original License Agreement that are not amended or modified by the revised License Agreement remain in effect.

The revisions to the original License Agreement include (1) requiring the Association to make periodic deposits into the 2011 R&R Fund, (2) modification of the Association's responsibility for performance and payment of highway maintenance, repair and renewal, (3) elimination of License Fees payable to the Department, (4) modification of the manner in which toll rates are set, and (5) prohibiting the Department from terminating the License Agreement for any insolvency of or failure by the Association to pay or perform its obligations due to insufficient toll revenues.

Under the License Agreement, the Department is responsible for performance and payment of all highway maintenance of the Southern Connector. As defined in the License Agreement, highway maintenance includes all maintenance, repair, renewal, replacement, enhancement, resurfacing and restoration of the Southern Connector. The Association is not required to perform or pay for any highway maintenance of the Southern Connector.

The Association's sole obligation related to highway maintenance is to make the periodic deposits into the 2011 R&R Fund. The Association's inability to make deposits into the 2011 R&R Fund due to insufficiency of toll revenues will not result in a default under the License Agreement, nor will any resulting nonpayments constitute arrearages requiring deposits to the 2011 R&R Fund from future Distributable Cash.

Once the Department has incurred highway maintenance costs relating to the Southern Connector, the Department may, on a quarterly basis, submit to the Association a requisition for reimbursement and supporting documentation of such highway maintenance costs to be paid from monies deposited in the 2011 R&R Fund. The Association shall in turn request the 2011 Trustee to pay to the Department such amounts requested for reimbursement from the 2011 R&R Fund.

The Association has or will appoint at its expense an Association Engineer to perform an inspection of the Southern Connector to identify, review, monitor and report highway maintenance issues and needs, and the Association Engineer may estimate the costs of addressing those issues and needs, and assess the appropriate timing of performing related maintenance activities. The parties will collaborate with the Department to schedule necessary highway maintenance activities.

Under the Association's Debt Adjustment Plan, toll rates were initially set at amounts set forth in the Stantec Traffic Study as defined in the License Agreement. Subsequent revisions of the Southern Connector toll rates are permitted or required in certain circumstances as prescribed by the terms of the Association's Trust Indenture and the License Agreement.

Any revisions to the toll rates shall require a toll rate study to be performed by a qualified independent traffic and revenue consultant selected by the Association. The consultant will study the toll rates charged for use of the Southern Connector, the past and future projected traffic and other relevant factors in order to determine the toll rates which, in the opinion of the consultant, will maximize Southern Connector toll revenues over a projected period of at least five years.

Prior to commencement of the toll rate study, the Association must submit the name and a summary of qualifications of the selected independent traffic and revenue consultant to the Department for approval. As prescribed in the License Agreement, the Department may object to the Association's selection of a consultant on the basis of lack of expertise or qualifications and propose at least one alternate consultant considered acceptable by the Department for the performance of the toll rate study.

Once the toll rate study has been completed by the independent traffic and revenue consultant, the Association will deliver a copy of such toll rate study to the Department and the 2011 Bonds Trustee, and, at the Association's request, the Department will take other steps as necessary to implement the recommended revisions to the Southern Connector toll rates.

The License Agreement specifies that neither the Department nor the State of South Carolina is responsible for determining whether the toll rates charged by the Association are adequate to satisfy the Association's obligations to third parties.

The License Agreement allows the Association to grant toll rate discounts to encourage the use of the electronic toll collection system or to provide an incentive to fleet purchasers. Any such discounts will not be deemed a revision of toll rates.

The first toll rate study required since the effective date of the Association's Debt Adjustment Plan was performed during 2015. Accordingly, in January 2016, the Association implemented the new toll rates recommended in the toll rate study.

The License Agreement shall expire on July 22, 2051, or upon repayment, redemption or defeasance of the 2011 Bonds and all other project debt. The License Agreement also includes other termination provisions, but specifically states that the failure of the Association to pay any amounts owing or to perform any obligations under the License Agreement due to insufficient toll revenues shall not be an event of default under the License Agreement.

Provisions are included to extend the License Agreement's term by any period equal to any length of time during which toll revenues are impaired due to events of force majeure, or upon written agreement by the Association and the Department.

Under the License Agreement, the Department at all times retains fee simple title to the Southern Connector, all tolling facilities and all real property and improvements thereon. All machinery, equipment, furniture, fixtures and other personal property are the sole property of the Association. Neither the State of South Carolina nor any political subdivision or agency thereof (including, without limitation, the Department, the County of Greenville, South Carolina, and the City of Greenville, South Carolina) have any liability whatsoever for payment of any Bonds or any other obligations secured by the License Agreement.

Restricted Assets

The Association is bound by an Amended Trust Indenture which contains provisions to establish certain funds and accounts to be held by the Trustee. The Trust Indenture's terms define the amounts that may be deposited into the Funds and Accounts, and restrict payments from such Funds and Accounts. The amounts held in these funds are presented as restricted assets.

Net Position

Proprietary Fund equity is classified as net position (deficit) and is displayed as the following three components:

> *Net investment in capital assets* — Consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
>
> *Restricted net position* — consists of certain assets, reduced by liabilities related to those assets. Assets included in this category of net position include those with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. In all cases, if individual restricted net position categories are negative, the negative balance is eliminated and reclassified against unrestricted net position.
>
> *Unrestricted net position* — all other net position that does not meet the definition of "restricted" or "net investment in capital assets."

Unless otherwise dictated in the Amended Trust Indenture, the Association's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

The Association's net deficit at December 31, 2020, represents accumulated shortfalls since commencement of operations because toll revenues have been insufficient to cover interest accretions on the Association's Bonds. Such accretions are not payable from current toll revenues, but from those to be received in future years.

NOTE 19B. DEPOSITS AND INVESTMENTS:

The following schedule reconciles deposits and investments within the footnotes to the amounts in the financial statements:

(In Thousands)

Statements of Net Position	2020	Notes	2020
Unrestricted Current Assets:			
Cash and Cash Equivalents	$ 1,538	Deposits with financial institutions	$ 1,538
Investments	-	Investments in money market mutual funds	12,893
Restricted Noncurrent Assets:			
Cash and Cash Equivalents	12,893		-
Investments	-		-
	$ 14,431		$ 14,431

The Association's Amended Trust Indenture requires that all trust fund bank deposits that are not insured by the FDIC be collateralized by investment securities. The types of investment securities that may be used as collateral are: direct obligations of, or obligations the principal and interest of which are unconditionally guaranteed by, the United States of America or certain of its agencies; repurchase agreements with underlying securities that are obligations of, or guaranteed by, the United States of America or certain of its agencies; certain obligations of, or guaranteed by, any state within the territorial United States of America; agreements that provide for the forward delivery of any securities previously described; investments in money market mutual funds rated "AAAm", "AAm", "AAAmG", or better; unsecured investment agreements with any bank or financial institution, the unsecured debt or counterparty rating of which is "investment grade" rated as of the date of acquisition; and any other obligation which, at the date of acquisition, is rated by a rating agency in one of the two highest rating categories for long- term obligations or in the highest rating category for short-term obligations.

Deposits

Custodial Credit Risk for Deposits: Custodial credit risk for deposits is the risk that, in the event of a bank failure, the Association's deposits might not be recovered. The Association does not have a formal deposit policy for custodial credit risk, but follows the guidelines outlined in the Association's Trust Indenture (as noted earlier) which are consistent with federal and South Carolina law. At December 31, 2020, approximately $1.2 million of the Association's bank balances of approximately $1.4 million (with a carrying value of $1.5 million) were uninsured and uncollateralized. The South Carolina State Treasurer held none of the deposits noted above.

Investments

The South Carolina State Treasurer held none of the investments noted below. As of December 31, 2020, the Association had the following investments as defined by GASB:

(In Thousands)

Investment Type	Credit Rating^	Fair Value Level	Fair Value	Percentage of Total Investments	Weighted Average maturity (in Years)
December 31, 2020:					
Money Market Mutual Funds	AAAm, Aaa-mf, AAAmmf	1	$ 12,894	100.00%	0.123

(^) If available, credit ratings are from Standard & Poor's, Moody's Investors Service, and Fitch Ratings.

Interest Rate Risk

The Association does not have a formal policy limiting investment maturities that would help manage its exposure to fair value losses from increasing interest rates, but follows the investment requirements outlined in the Association's Amended Trust Indenture (as noted earlier) which are consistent with federal and South Carolina law.

Custodial Credit Risk for Investments

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the Association will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Association does not have a formal investment policy for custodial credit risk, but follows the guidelines outlined in the Association's Amended Trust Indenture (as noted earlier). As of December 31, 2020, none of the Association's investments were exposed to custodial credit risk.

Credit Risk for Investments

Credit risk for investments is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Association does not have a formal investment policy for credit risk but follows the guidelines outlined in the Association's Amended Trust Indenture (as noted earlier) which are consistent with federal and State law.

Concentration of Credit Risk for Investments

The Association places no limit on the amount the Association may invest in any one issuer. Investments issued by or explicitly guaranteed by the U.S. Government and investments in mutual funds, external investment pools and other pooled investments are exempt from concentration of credit risk disclosures.

NOTE 19C. BONDS PAYABLE:

Upon confirmation by the Bankruptcy Court of and as a means of implementing the Association's Debt Adjustment Plan, on April 21, 2011, the Association issued its 2011 Bonds, consisting of both Serial and Term capital appreciation bonds, in exchange for the Association's 1998 Bonds. At that time, the Association's obligations under the 2011 Bonds were substituted for its obligations under the 1998 Bonds, and the Association was relieved of any further obligations under the 1998 Bonds. The 2011 Bonds were issued to the existing holders of the 1998 Bonds on a pro rata basis, based on unpaid principal and accrued/accreted interest as of the Bankruptcy Petition date of June 24, 2010. The Series 2011A and 2011B Bonds were exchanged for the 1998 Senior Bonds, and the Series 2011C Bonds were exchanged for the 1998 Subordinate Bonds.

The Series 2011A, 2011B and 2011C Term Bonds as originally issued in April 2011 are registered with the Depository Trust Corporation (the "DTC") and are Pro-Rata Term Bonds for which each holder of such Bonds will receive a prorate share of any debt service payment made by the Association on such Bonds. In 2012, the Association effected a mandatory Bond Exchange (with option to retain) of 2011 Pro-Rata Term Bonds for 2011 By-Lot Term Bonds. The 2011 By-Lot Term Bonds are registered with the DTC in a form that allows such Bonds to be traded on the secondary market; however, in accordance with DTC policies and procedures, the distribution of debt service redemption payments made on such Bonds prior to maturity occurs "by-lot" under a lottery system, rather than on a pro-rata basis. Accordingly, holders of the 2011 By-Lot Term Bonds are not assured of the timing of any particular bond payment prior to maturity. The option to retain provision of the Bond Exchange allowed holders of the Association's 2011 Term Bonds to decide whether they would retain their 2011 Pro-Rata Term Bonds as originally issued (the "2011 Retained Term Bonds") and suffer the illiquidity of those obligations, or exchange those Bonds for 2011 By-Lot Term Bonds (the "2011 New Term Bonds") and accept the uncertainty of timing of debt service payments.

The Bond Exchange did not alter the Association's financial obligations under its 2011 Term Bonds.

All of the Association's 2011 Bonds consist of the following. (Descriptions of the Association's Term Bonds have been updated for the Bond Exchange as noted.)

The Association's 2011 Bonds, as updated for the Bond Exchange, consist of:

The 2011 Senior Bonds as follows:

- *Series 2011A Senior Capital Appreciation Toll Road Revenue Bonds* (the "Series 2011A Serial Bonds") are dated April 1, 2011, and originally included eleven serial bonds. The original principal amount at issuance of these serial bonds totaled $36.6 million. Seven serial bonds remained outstanding following the Association's January 1, 2015 payment of debt service and before 2016 activity. Such remaining outstanding serial bonds mature January 1 of the years 2016 through 2022 inclusive, and accrete interest at rates ranging from 4.75% to 6.00%.

- *Series 2011A Senior Capital Appreciation Toll Road Revenue Bonds* (the "Series 2011A Retained Term Bonds") are dated April 1, 2011, and include three term bonds.
    - The Series 2011A term bonds maturing on January 1, 2032, with an aggregate original principal amount of $164 thousand are subject to annual pro rata pay down payments on January 1 of the years 2023 through 2031 in varying amounts from $34 thousand to $55 thousand, with a payment of $55 thousand at final maturity on January 1, 2032. Interest accretes on these term bonds at 6.50%.
    - The Series 2011A term bonds maturing on January 1, 2042, with an aggregate original principal amount of $127 thousand are subject to annual pro rata pay down payments on January 1 of the years 2033 through 2041 in varying amounts from $64 thousand to $90 thousand, with a payment of $90 thousand at final maturity on January 1, 2042. Interest accretes on these term bonds at 7.00%.
    - The Series 2011A term bonds maturing on July 22, 2051, with an aggregate original principal amount of $73 thousand are subject to annual pro rata pay down payments on January 1 of the years 2043 through 2051 in varying amounts from $91 thousand to $113 thousand, with a payment of $57 thousand (as revised following the extraordinary mandatory prepayments paid on February 15, 2014 and 2019) at final maturity on July 22, 2051. Interest accretes on these term bonds at 7.50%.
- *Series 2011A1 Senior Capital Appreciation Toll Road Revenue Bonds* (the "Series 2011A1 New Term Bonds") are dated April 1, 2011, and include three term bonds.
    - The Series 2011A1 term bonds maturing on January 1, 2032, with an aggregate original principal amount of $40.5 million and a maturity value of $149.5 million are subject to mandatory redemption pursuant to payments of sinking fund installments on January 1 of the years 2023 through 2031 in varying amounts from $8.5 million to $13.5 million, with a payment of $13.7 million at final maturity on January 1, 2032. Interest accretes on these term bonds at 6.50%.
    - The Series 2011A1 term bonds maturing on January 1, 2042, with an aggregate original principal amount of $31.3 million and a maturity value of $251.0 million are subject to mandatory redemption pursuant to payments of sinking fund installments on January 1 of the years 2033 through 2041 in varying amounts from $15.7 million to $22.2 million, with a payment of $22.3 million at final maturity on January 1, 2042. Interest accretes on these term bonds at 7.00%.
    - The Series 2011A1 term bonds maturing on July 22, 2051, with an aggregate original principal amount of $18.1 million and a maturity value of $334.3 million are subject to mandatory redemption pursuant to payments of sinking fund installments on January 1 of the years 2043 through 2051 in varying amounts from $22.4 million to $27.9 million, with a payment of $14.1 million (as revised following the extraordinary mandatory redemptions paid on February 15, 2014 and 2019) at final maturity on July 22, 2051. Interest accretes on these term bonds at 7.5%.

The 2011 Senior Subordinate Bonds as follows:

- Series 2011B Senior Subordinate Capital Appreciation Toll Road Revenue Bonds (the "Series 2011B Retained Term Bonds") are dated April 1, 2011, and include two term bonds.
    - The Series 2011B term bonds maturing on January 1, 2032, with an aggregate original principal amount of $57 thousand are subject to annual pro rata pay down payments on January 1 of the years 2014 (following the Association's January 1, 2013 payment of debt service) through 2031 in varying amounts from $3 thousand to $13 thousand, with a payment of $13 thousand at final maturity on January 1, 2032. Interest accretes on these term bonds at 8.50%.
    - The Series 2011B term bonds maturing on July 22, 2051, with an aggregate original principal amount of $28 thousand are subject to annual pro rata pay down payments on January 1 of the years 2033 through 2051 in varying amounts from $15 thousand to $26 thousand, with a payment of $15 thousand at final maturity on July 22, 2051. Interest accretes on these term bonds at 9.00%.

- Series 2011B1 Senior Subordinate Capital Appreciation Toll Road Revenue Bonds (the "Series 2011B1 New Term Bonds") are dated April 1, 2011, and include two term bonds.
    - The Series 2011B1 term bonds, maturing on January 1, 2032, with an aggregate original principal amount of $13.6 million and a maturity value of $73.9 million are subject to mandatory redemption pursuant to payments of sinking fund installments on January 1 of the years 2013 through 2031 in varying amounts from $662 thousand to $3.1 million, with a payment of $3.2 million at final maturity on January 1, 2032. Interest accretes on these term bonds at 8.50%.
    - The Series 2011B1 term bonds maturing on July 22, 2051, with an aggregate original principal amount of $7.0 million and a maturity value of $226.7 million are subject to mandatory redemption pursuant to payments of sinking fund installments on January 1 of the years 2033 through 2051 in varying amounts from $3.6 million to $6.4 million, with a payment of $3.6 million at final maturity on July 22, 2051. Interest accretes on these term bonds at 9.00%.

The 2011 Junior Subordinate Bonds as follows:

- *Series 2011C Junior Subordinate Capital Appreciation Toll Road Revenue Bonds* (the "Series 2011C Retained Term Bonds") are dated April 1, 2011, and include term bonds with an aggregate original principal amount of $18 thousand. These term bonds are subject to annual pro rata pay down payments on January 1 of the years 2013 through 2051 in varying amounts from $1 thousand to $7 thousand, with a payment of $4 thousand at final maturity on July 22, 2051. Interest accretes on these term bonds at 10.00%.
- *Series 2011C1 Junior Subordinate Capital Appreciation Toll Road Revenue Bonds* (the "Series 2011C1 New Term Bonds") are dated April 1, 2011, and include term bonds with an aggregate original principal amount of $2.1 million and a maturity value of $97.8 million. These term bonds are subject to mandatory redemption pursuant to payments of sinking fund installments on January 1 of the years 2013 through 2051 in varying amounts from $82 thousand to $793 thousand, with a payment of $445 thousand at final maturity on July 22, 2051. Interest accretes on these term bonds at 10.00%.

In addition to the regularly scheduled debt service payments described above, the Amended Trust Indenture requires or allows the Association to make additional payments of debt service in certain situations.

The Association is required to make extraordinary mandatory prepayments of its 2011 Retained Term Bonds and redemptions of its 2011 New Term Bonds if any, on January 1, if the 2011 Extraordinary Prepayment Fund, contains in excess of $50 thousand. In such case, the monies in the 2011 Extraordinary Prepayment Fund shall be applied toward extraordinary mandatory prepayments/redemptions of the 2011 Bonds on the following February 15, at 105% of the accreted value of the respective 2011 Bonds being paid. Extraordinary mandatory prepayments/redemptions shall pay the 2011 Senior Bonds first. If there are no 2011 Senior Bonds outstanding, then the 2011 Senior Subordinate Bonds shall be prepaid/redeemed. If there are no outstanding 2011 Senior or Senior Subordinate Bonds, then the 2011 Junior Subordinate Bonds shall be prepaid/redeemed. The Association made such extraordinary mandatory prepayments/redemptions in 2014 and 2018, 2019, and 2020.

At any time on or after April 1, 2026, the Association may make optional prepayments of its 2011 Retained Term Bonds or redemptions of its 2011 New Term Bonds at prescribed percentages of such 2011 Bonds' respective accreted values. If the Association makes optional partial prepayments/redemptions of its 2011 Retained/New Term Bonds, the amount of such 2011 Retained/New Term Bonds to be prepaid/redeemed will be selected ratably based upon the accreted values of the outstanding 2011 Retained/New Term Bonds as of the prepayment/redemption date.

Any extraordinary mandatory or optional prepayments of the Association's 2011 Retained Term Bonds will be distributed to Bondholders on a pro-rata basis. Any extraordinary mandatory or optional redemptions of less than all of the Association's 2011 New Term Bonds of a single maturity will be distributed to Bondholders by lot.

If Distributable Cash (defined in Note 1, item J) is insufficient to pay any debt service pertaining to any tier of 2011 Bonds when due, the Trust Indenture specifies that such amounts shall be deferred and bear interest from the date of non-payment at a rate equal to the interest rate or yield on the 2011 Bond to which such unpaid amount relates, compounded annually. The Trust Indenture refers to such unpaid debt service amounts plus interest as Arrearages. In the event that any debt service is not paid when due, the Trust Indenture stipulates that subsequent payments of debt service on such tier of 2011 Bonds shall be applied, first, to any Arrearages, and, second, to the current debt service owing on such tier of 2011 Bonds.

If on any 2011 Bond payment date, no 2011 Bonds remain outstanding in any tier, the remaining 2011 Bonds of subordinate tiers will ascend to the next higher tier in the hierarchy described in the Waterfall in Note 1, item J above. For example, if no 2011 Senior Bonds are outstanding on any 2011 Bond payment date, then any 2011 Senior Subordinate Bonds outstanding will be treated as 2011 Senior Bonds payable from the 2011 Senior Bonds Debt Service Account, and any 2011 Junior Subordinate Bonds outstanding will be treated as 2011 Senior Subordinate Bonds payable from the 2011 Senior Subordinate Bonds Debt Service Account

The Association's bonds payable activity for the year ended December 31, 2020, was as follows:

(In Thousands)

	Balances at December 31, 2019	Increases	Decreases	Balances at December 31, 2020	Amount Due in One Year
Senior Bonds					
Series 2011A Serial Bonds	$ 20,747	$ 905	$ 6,426	$ 15,226	$ 7,622
Series 2011A Retained Term Bonds	650	45	1	694	-
Series 2011A 1 New Term Bonds	160,392	11,032	165	171,259	-
Total Senior Bonds	181,789	11,982	6,592	187,179	7,622
Senior Subordinate Bonds:					
Series 2011B Retained Term Bonds	139	11	6	144	7
Series 2011B 1 New Term Bonds	33,751	2,818	1,478	35,091	1,753
Total Senior Subordinate Bonds	33,890	2,829	1,484	35,235	1,760
Junior Subordinate Bonds:					
Series 2011C Retained Term Bonds	31	3	1	33	2
Series 2011C 1 New Term Bonds	3,667	348	182	3,833	216
Total Junior Subordinate Bonds	3,698	351	183	3,866	218
Total Revenue Bonds Payable	$ 219,377	$ 15,162	$ 8,259	$ 226,280	$ 9,600

None of the Association's 2011 Bonds represent direct borrowings from lenders or direct placements of debt securities with investors.

During 2020, $15.2 million of increases in bonds payable represented accretions on the Association's bonds and were recorded as interest expense. The 2020 decreases in bonds payable totaled $8.3 million and included $8.1 million of debt service paid in January 2020 and extraordinary mandatory prepayments/redemptions of $165.7 thousand of accreted value of the respective 2011 Bonds paid in February 2020.

At December 31, 2020, following the Trustee's transfers of monies, the remaining Distributable Cash was sufficient to pay only partial payments of the scheduled January 1, 2021 debt service due on the Association's 2011 Senior Subordinate Bonds. No monies were available to pay debt service on the Association's 2011 Junior Subordinate Bonds. Accordingly, in February 2021, the Trustee transferred such remaining Distributable Cash to the 2011 Debt Service Fund. As prescribed in the Trust Indenture, partial debt service payments of the December 31, 2020 accreted value of 2011 Senior Subordinate Bonds were made on February 15, 2021. The remaining unpaid January 1, 2021 debt service due on the Association's 2011 Senior Subordinate and Junior Subordinate Bonds constitute Arrearages that will bear interest from January 1, 2021 at rates equal to the interest rates on the respective 2011 Bonds to which the unpaid amounts relate, compounded annually.

The following schedule summarizes the Association's debt service requirements to maturity as of December 31, 2020. Since all of the 2011 Bonds are capital appreciation bonds, accretions are accounted for as interest expense and additions to principal. For purposes of the following debt service schedule, all accretions are included as principal, and no interest is shown.

(In Thousands)

Year ending December 31:	Principal	Interest	Totals
2021	$ 9,600	$ -	$ 9,600
2022	10,152	-	10,152
2023	10,733	-	10,733
2024	11,345	-	11,345
2025	13,017	-	13,017
2026 - 2030	74,559	-	74,559
2031 - 2035	94,922	-	94,922
2036 - 2040	118,277	-	118,277
2041 - 2045	144,527	-	144,527
2046 - 2050	165,209	-	165,209
2051	47,985	-	47,985
	$ 700,326	$ -	$ 700,326

At December 31, 2020, the following accounts established by the Trust Indenture, as discussed in Note 1, were included in the Trust Estate and provided security for the 2011 Bonds. The balances shown below include accruals of year-end interest and any year-end transfers.

(In Thousands)

Trust Account	Amount 2020
2011 Revenue Fund	$ 438
2011 Debt Service Fund	7,622
2011 Debt Service Reserve	2,034
2011 Extraordinary Prepayment Fund	8
Total	$ 10,102

The 2011 Bonds are expressly nonrecourse to the Association, the State, the Department, or any agency, department or political subdivision of the State, and are payable solely from the 2011 Trust Estate. The 2011 Bonds are not rated by a national rating agency.

The 2011 Senior Subordinate Bonds are subordinated to the 2011 Senior Bonds in all respects, including in right of payment and priority of liens. The 2011 Junior Subordinate Bonds are subordinated to the 2011 Senior and Senior Subordinate Bonds in all respects, including in right of payment and priority of liens.

The 2011 Bonds are subject to certain bond covenants other than payment covenants. The bond covenants include, but are not limited to, the following:

- The Association is prohibited from taking any action, or omitting to take any action, that would cause the 2011 Bonds to lose their tax-exempt status.

- By June 30 of each year, an Association Engineer (as defined) is required to inspect the toll road and submit a report documenting the Association Engineer's findings as to whether the Southern Connector has been maintained by the Department in good repair and any deficiencies in the physical condition of the toll road. The report shall identify any highway maintenance needs of the Southern Connector, an assessment of the materiality of such needs, and may estimate the cost and appropriate timing of such needs. The Association received the latest report from its Engineer in June 2018 and in turn submitted that report to the Association's Trustee and the Department. At the time these financial statements were issued, the 2019 Engineer's inspection was underway.

- On or before April 30, 2016, and once every five years thereafter as prescribed in the Trust Indenture, the Association shall retain an independent traffic and revenue consultant to perform a toll rate study to determine the optimum toll rates to be charged for the Southern Connector. In addition, a toll rate study will be required if (a) the Association fails to make any debt service payment on its 2011 Senior and/or Senior Subordinate Bonds, or (b) the debt service coverage ratio (as defined in the Trust Indenture) for the 2011 Senior Bonds is less than (i) 1.20 for periods ending on or before January 1, 2016, and (ii) 1.25 for periods ending after January 1, 2016, or (c) the debt service coverage ratio (as defined in the Trust Indenture) for the 2011 Senior Subordinate Bonds is less than 1.00 for any period. Despite the above provisions, the Association will not be required to have a toll rate study performed more frequently than once every two years.

- Copies of any toll rate study will be presented to the Department, the Trustee and the 2011 Bondholders. Unless the 2011 Bondholders submit an objection in accordance with the terms of the Trust Indenture, the toll rates on the Southern Connector will be set at the optimum toll rates as determined by the traffic and revenue consultant and reported in the toll rate study.

- The Association shall certify to the 2011 Trustee the actual debt service coverage ratios compared to the threshold ratios set forth above. Calculations of the actual debt service coverage ratios shall accompany such certification.

- Prior to the end of each fiscal year, the Association is required to file an annual budget for the next fiscal year with the 2011 Trustee.

The terms of the Amended Trust Indenture provide that any of the following events will be considered an event of default under such Amended Trust Indenture:

- The Association's failure to make any scheduled debt service payment or any mandatory prepayment/redemption of the 2011 Senior Bonds will constitute an event of default. Once all of the 2011 Senior Bonds have been paid, failure to make any scheduled debt service payment or any mandatory prepayment/redemption of the 2011 Senior Subordinate Bonds will constitute an event of default under the Trust Indenture. Once all of the 2011 Senior Bonds and all of the 2011 Senior Subordinate Bonds have been paid, failure to make any scheduled debt service payment or any mandatory prepayment/redemption of the 2011 Junior Subordinate Bonds will constitute an event of default under the Trust Indenture. The Trust Indenture clarifies that the occurrence of an event of default pertaining to any tier of 2011 Bonds as described in this bullet will not automatically cause an event of default with respect to any other tier of 2011 Bonds.

- The Association's failure to perform any covenant other than those relating to payment of the 2011 Bonds will constitute an event of default, if such failure continues 30 days after written notice of the failure has been provided to the Association by the Trustee or to the Association and the Trustee by not less than 25% of the 2011 Senior and/or 2011 Senior Subordinate Bondholders. However, if the Association has taken action to cure such failure within 30 days of receipt of the written notice, the duration of the cure period will be extended to 180 days following the date of the written notice, and no event of default will be deemed to occur, so long as the Association continues to diligently attempt to cure the failure within the 180-day cure period.

- An event of default shall be deemed to occur if the Association (i) voluntarily files a bankruptcy petition or any petition seeking reorganization, readjustment or relief of its debts under federal or State bankruptcy or insolvency act or law; (ii) takes any action consenting to, approving, or acquiescing in any such petition or proceeding; (iii) applies for, or consents to or acquiesces in the appointment of, a receiver or trustee of the Association or for all or a substantial part of its property; (iv) makes an assignment for the benefit of its creditors; or (v) is unable to, or admits in writing its inability to, pay its debts as they come due (except for any inability to make payments due on its 2011 Senior Subordinate or 2011 Junior Subordinate Bonds that would not constitute an event of default under the first bullet above of this paragraph).

- Involuntary bankruptcy proceedings; involuntary petitions seeking reorganization, readjustment or relief of the Association's debts under federal or State bankruptcy or insolvency act or law; or petitions seeking the involuntary appointment of a receiver or trustee of the Association or for all or a substantial part of the Association's property will constitute an event of default if such proceedings or petitions continue undismissed or undischarged for 90 days, or if such proceedings or petitions result in a ruling of bankruptcy or insolvency.

The Trust Indenture does not provide any right to accelerate the maturity of the 2011 Bonds. If an event of default occurs, the 2011 Trustee shall have the right to retain, or cause the Association to retain, (i) an independent consultant to recommend the optimum toll rates for the Southern Connector, and (ii) a management consultant or other third party to examine and make recommendations regarding the Association's operations and operating costs. Unless certain 2011 Bondholders object to the recommendations made by such consultant or other third party, the Association will be required to implement those recommendations to the extent it is able to do so.

The Association monitors the above covenants for compliance throughout the year, and determined that its Debt Service Coverage Ratios at December 31, 2020 for its 2011 Senior Bonds were 1.09, and for its 2011 Senior Subordinate Bonds were 0.86, respectively, and did not meet the thresholds required by the Trust Indenture as discussed above. The Association's Debt Service Coverage Ratios at December 31, 2019 for its 2011 Senior Bonds and for its 2011 Senior Subordinate Bonds were 1.39 and 1.10, respectively, and were in compliance with its 2011 Bond covenants as of and for the year ended December 31, 2019.

More detailed information pertaining to the Association's 2011 Bonds, including complete copies of the First Amended and Restated Master Indenture of Trust; the First Supplemental Indenture of Trust; and related filings, notices and Court Orders pertaining to the Bond Exchange, may be found on the Association's website, www.SouthernConnector.com under the Bankruptcy Filings link under the Postings arrow.

NOTE 19D. CAPITAL ASSETS:

The Association's interest in its License Agreement with the Department accounted for as an intangible asset relating to the Southern Connector that began generating revenues upon commencement of toll road operations. In order to account for its interest in the License Agreement, the Association capitalized all costs of acquisition and construction of the Southern Connector, including interest expense incurred during the construction period. Upon commencement of toll road operations, the Association began amortizing its interest in the License Agreement.

The following tables summarize the changes in capital assets of the Association during the past year and the balance at December 31, 2020.

(In Thousands)

Description	Balance December 31, 2019	Additions	Disposals	Balance December 31, 2020
Investment in Capital Assets, Net	$ 113,833	$ (3,911)	$ -	$ 109,922

Interest Costs Incurred

Interest costs expensed during the year ended December 31, 2020 totaled $15.2 million. Interest expense in 2020 included interest accreted on the Association's 2011 Bonds and the accrued premiums paid as part of the extraordinary mandatory prepayments/redemptions.

South Carolina Department of Transportation

Budgetary Comparison Schedule (Non-GAAP Budgetary Basis)
Governmental Funds (State, Earmarked, Restricted Funds)
June 30, 2021

(In Thousands)

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
Revenues				
Earmarked	$ 150	$ 150	$ 144	$ (6)
Restricted	2,490,482	2,490,482	2,233,545	(256,937)
Federal	-	65,719	24,933	(40,786)
Total Revenues	$ 2,490,632	$ 2,556,351	$ 2,258,622	$ (297,729)
Expenditures				
General Fund				
Mass Transit	$ 57	$ 57	$ 57	$ -
Rest areas	106	106	106	-
General Administration				
Executive director	251	251	251	-
Classified positions	14,410	15,566	15,566	-
Unclassified position	255	232	166	66
Other personal services	255	255	195	60
Other operating	47,221	46,913	27,568	19,345
Permanent improvement	-	64	63	1
Debt service	1,304	1,476	1,475	1
Land & Buildings				
Other operating	8,886	7,161	453	6,708
Permanent improvement	3,886	5,590	3,384	2,206
Engineering - Adm. Proj. Mgmt.				
Classified positions	79,776	79,776	75,222	4,554
Unclassified position	158	181	181	-
Other personal services	3,060	3,060	1,999	1,061
Other operating	17,599	18,232	12,145	6,087
Permanent improvement	-	19	18	1
Engineering - Construction				
Other operating	44,069	22,897	3,749	19,148
Permanent improvements	1,796,454	1,757,526	1,127,116	630,410
Debt service	53,371	53,435	53,435	-
Principal - loan note	2,289	2,393	2,393	-
Interest - loan note	2,691	2,587	2,587	-
Highway Maintenance				
Classified positions	98,620	97,465	84,746	12,719
Other personal services	8,060	8,013	5,809	2,204
Other operating	194,529	193,060	160,031	33,029
Permanent improvements	150	996	656	340
Non-Federal Aid				
Other operating Bridges Minor Repair	3,000	11,000	7,622	3,378
Other operating Rehab & Resurfacing	35,761	65,261	47,564	17,697
Other operating	-	22,600	18,262	4,338
Mass Transit				
Unclassified position	140	165	165	-
Classified positions	5,550	5,525	5,189	336
Other personal services	-	46	46	-
Other operating	1,300	1,780	506	1,274
Allocations municipal - restricted	100	570	445	125
Allocations counties - restricted	-	1,482	43	1,439
Allocations other entities	90,646	88,214	27,680	60,534
Toll Operations				
Classified positions	110	110	52	58
Other operating	4,500	4,500	3,732	768
Debt service	3,087	3,087	2,969	118
Employer Contributions	96,897	96,897	87,165	9,732
Port Access Road				
Permanent improvements	42,430	42,430	17,661	24,769
County Transportation Committees				
Permanent improvements	1,570	855	327	528
Other operating	102,417	44,800	26,629	18,171
Distributions to subdivisions	89,417	147,826	98,205	49,621
Total Expenditures	$ 2,854,382	$ 2,854,459	$ 1,923,633	$ 930,826

NOTE 1. BUDGETARY FUNDS

South Carolina's Annual Appropriation Act, the State's legally adopted budget, does not present budgets by GAAP fund. Instead, it presents program-level budgets for the following two funds:

General Funds. These funds are general operating funds. The resources in the funds are primarily taxes. The State expends General Funds to provide traditional State government services.

Total Funds. The Total Funds column in the Appropriations Act includes all budgeted resources. Amounts in this column include General Funds as well as most, but not all, federal and department-generated resources. Total funds include portions of certain proprietary and capital project fund activities as well as most special revenue activities but exclude the pension trust fund activities.

The Department's legally adopted budget is part of the Total Funds budget for the State. It is presented on a combined basis for the Transportation and Infrastructure Maintenance Trust Special Revenue Funds at the program level including the restricted, earmarked, and general funds appropriated to the Department.

NOTE 2. ORIGINAL AND FINAL BUDGETED AMOUNTS; BASIS OF PRESENTATION

The original appropriations presented in the accompanying schedule for the Transportation Special Revenue Fund include amounts in the Appropriations Act as well as any appropriation reductions specifically authorized by law to prevent duplicate appropriations. The terminology, classification, and format of the appropriations section of the accompanying schedule for department's governmental fund are substantively the same as for the legally enacted budget.

The State's General Assembly does not approve estimated revenue or fund balance amounts for Other Budgeted Funds which include the Transportation Special Revenue Fund. However, Section 115 (Recapitulations) of the Appropriation Act includes net source of funds amounts (i.e. estimated cash brought forward from the previous fiscal year plus estimated revenue for the current fiscal year minus estimated cash to be carried forward to the following fiscal year) for three categories of Other Budgeted Funds: Federal, Earmarked, and Restricted. A budget versus actual comparison for the Transportation Special Revenue Fund is presented as required supplementary information.

As operating conditions change, the Department may move appropriations between programs and classifications within programs. However, limits are placed on increasing/decreasing authorizations for personal services without SFAA approval. Also, a revision of budgeted amounts over and above the total revenues appropriated requires approval of the SFAA.

NOTE 3. LEGAL LEVEL OF BUDGETARY CONTROL

The Department maintains budgetary control at the level of summary objective category of expenditure within each program of each department or agency which is the level of detail presented in the accompanying schedule.

NOTE 4. BASIS OF BUDGETING

Current legislation states that the General Assembly intends to appropriate all monies to operate State government for the current fiscal year. Unexpended appropriations lapse on July 31 unless the department or agency is given specific authorization to carry them forward to the next fiscal year. Cash-basis accounting for payroll expenditures is used.

State law does not precisely define the State's basis of budgeting. In practice, however, it is the cash basis with the following exceptions:

- Departments and agencies shall charge certain vendor and inter-fund payments against the preceding fiscal year's appropriations through July14.
- The gasoline and motor fuel taxes are recorded on the modified accrual basis in accordance with State law.
- All other revenues are recorded only when the State receives the related cash.
- The accrual basis is used for other non-payroll expenditures.

NOTE 5. RECONCILIATION OF BUDGET TO GAAP REPORTING DIFFERENCES

Adjustments of the GAAP basis of accounting to the budgetary basis of accounting consist of primarily of reclassifications from financial statement classifications to budgetary fund categories, the accrual and reversal of accounts payable and payroll and related fringe benefits, which exceed the cut off for the Department to charge the previous fiscal year's appropriations.

Reconciliation of Budget Basis to GAAP Basis Expenditures
For The Year Ended June 30, 2021

(in Thousands)

	General Fund	Other Budgeted Funds	Total
Total expenditures, budgetary basis	$ 163	$ 1,923,470	$ 1,923,633
Basis of accounting differences:			
Change in accrued salaries	-	32,129	32,129
Change in accounts payable	-	(1,306)	(1,306)
Transfer to other entities not expenditures under budgetary basis	-	21,963	21,963
Other basis difference	-	(31,387)	(31,387)
Total expenditures, GAAP basis	$ 163	$ 1,944,869	$ 1,945,032

South Carolina Department of Transportation Required Supplementary Information -

Schedule of the South Carolina Department of Transportation's Proportionate Share of the Net Pension Liability - South Carolina Retirement System as of June 30, 2021
Last Five Fiscal Years

(In Thousands)

	2021	2020	2019	2018	2017
SCDOT's proportion of the net pension liability	1.76%	1.82%	1.89%	1.99%	1.96%
SCDOT's proportionate share of the net pension liability	$ 450,598	$ 415,285	$ 422,832	$ 448,473	$ 418,310
SCDOT's covered payroll	$ 201,499	$ 201,976	$ 192,463	$ 198,382	$ 187,553
SCDOT's proportionate share of the net pension liability as percentage of covered payroll	223.62%	205.61%	219.70%	226.07%	223.04%
Plan fiduciary net position as a percentage of the total pension liability	50.70%	54.40%	54.10%	53.30%	52.90%

South Carolina Department of Transportation Required Supplementary Information -

Schedule of the South Carolina Department of Transportation's Proportionate Share of the Net Pension Liability - Police Officers Retirement System as of June 30, 2021
Last Five Fiscal Years

(In Thousands)

	2021	2020	2019	2018	2017
SCDOT's proportion of the net pension liability	0.028%	0.027%	0.026%	0.021%	0.030%
SCDOT's proportionate share of the net pension liability	$ 937	$ 767	$ 729	$ 587	$ 761
SCDOT's covered payroll	$ 420	$ 383	$ 412	$ 429	$ 400
SCDOT's proportionate share of the net pension liability as percentage of covered payroll	223.10%	200.26%	176.94%	136.83%	190.25%
Plan fiduciary net position as a percentage of the pension liability	58.80%	62.70%	61.70%	60.90%	60.40%

South Carolina Department of Transportation Required Supplementary Information -

Schedule of the South Carolina Department of Transportation's Contributions -
South Carolina Retirement System as of June 30, 2021
Last Ten Fiscal Years

(In Thousands)

	2021	2020	2019	2018	2017
Contractually required contribution	$ 28,366	$ 29,331	$ 27,388	$ 26,098	$ 22,933
Contributions in relation to the contractually required contribution	28,366	29,331	27,388	26,098	22,933
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
SCDOT covered payroll	$ 182,301	$ 201,449	$ 201,976	$ 192,463	$ 198,382
Contributions as a percentage of the covered-employee payroll	15.56%	14.56%	13.56%	13.56%	11.56%

	2016	2015	2014	2013	2012
Contractually required contribution	$ 20,743	$ 18,739	$ 18,379	$ 18,191	$ 16,403
Contributions in relation to the contractually required contribution	20,743	18,739	18,379	18,191	16,403
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
SCDOT covered payroll	$ 187,553	$ 171,918	$ 173,387	$ 171,613	$ 172,027
Contributions as a percentage of the covered-employee payroll	11.06%	10.90%	10.60%	10.60%	9.54%

South Carolina Department of Transportation Required Supplementary Information -

Schedule of the South Carolina Department of Transportation's Contributions -
Police Officer Retirement System as of June 30, 2021
Last Ten Fiscal Years

(In Thousands)

	2021	2020	2019	2018	2017
Contractually required contribution	$ 85	$ 78	$ 66	$ 58	$ 59
Contributions in relation to the contractually required contribution	85	78	66	58	59
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
SCDOT covered payroll	$ 466	$ 420	$ 383	$ 412	$ 429
Contributions as a percentage of the covered-employee payroll	18.24%	18.56%	17.23%	14.32%	13.75%

	2016	2015	2014	2013	2012
Contractually required contribution	$ 55	$ 34	$ 34	$ 26	$ 23
Contributions in relation to the contractually required contribution	55	34	34	26	23
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
SCDOT covered payroll	$ 400	$ 265	$ 265	$ 211	$ 196
Contributions as a percentage of the covered-employee payroll	13.75%	12.83%	12.84%	12.30%	11.76%

South Carolina Department of Transportation Required Supplementary Information -

Actuarial Methods and Assumption Used to Determine the Contribution Rates

For Year Ended June 30, 2021

Item	SCRS	PORS
(1)	(2)	(3)
Actuarial Valuation Date:	July 1, 2018	July 1, 2018
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Asset Valuation Method:	5-year Smoothed	5-year Smoothed
Amortization Method:	Level % of Pay	Level % of Pay
Amortization Period as of the actuarial valuation date:	29-years maximum, closed	29-years maximum, closed
Investment Return:	7.25%	7.25%
Inflation:	2.25%	2.25%
Salary Increases:	3.00% plus step-rate increases for members with less than 21 years of service.	3.50% plus step-rate increases for members with less than 15 years of service.
Mortality:	The 2016 Public Retirees of South Carolina Mortality Tables for Males and Females, both projected at Scale AA from the year 2016. Male rates multiplied by 100% for non-educators and 92% for educators. Female rates multiplied by 111% for noneducators and 98% for educators.	The 2016 Public Retirees of South Carolina Mortality Tables for Males and Females, both projected at Scale AA from the year 2016. Male rates are multiplied by 125% and female rates are multiplied by 111%
Comment on the development of the actuarially determined and actual contribution rate:	Contribution rate for fiscal year 2020 is determined in accordance with the Retirement System Funding and Administration Act of 2017.	Contribution rate for fiscal year 2020 is determined in accordance with the Retirement System Funding and Administration Act of 2017.

South Carolina Department of Transportation Required Supplementary Information -

Schedule of the South Carolina Department of Transportation's Proportionate Share of the Net OPEB Liability - South Carolina Health Insurance Trust Fund

(In Thousands)

	2021	2020	2019	2018
Department's proportion of the net OPEB liability	2.160%	2.222%	2.290%	2.400%
Department's proportionate share of the net OPEB liability	$389,973	$355,988	$324,484	$325,592
Department's covered payroll	$197,771	$197,527	$192,018	$185,610
Department's proportionate share of the net OPEB liability as percentage of covered payroll	197.18%	180.22%	168.99%	175.42%
Plan fiduciary net position as a percentage of the total OPEB liability	8.39%	8.44%	7.91%	7.60%

Note: The amounts presented above were determined as of June 30th of the preceding year.

South Carolina Department of Transportation Required Supplementary Information-

Schedule of the South Carolina Department of Transportation's Contributions- South Carolina Health Insurance Trust Fund Last Five Fiscal Years

(In Thousands)

	2021	2020	2019	2018	2017
Contractually required contribution	$ 11,515	$ 11,089	$ 10,864	$ 10,561	$ 9,893
Contributions in relation to the contractually required contribution	11,515	11,089	10,864	10,561	9,893
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Department covered payroll	$ 187,724	$ 197,771	$ 197,527	$ 192,018	$ 185,610
Contributions as a percentage of the covered payroll	6.13%	5.61%	5.50%	5.50%	5.33%